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**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)**

**ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED  
DECEMBER 31, 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of Kindstar Globalgene Technology, Inc. (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended December 31, 2022 (the “**Reporting Period**”), together with the comparative figures for the year ended December 31, 2021. The Group’s consolidated financial statements have been reviewed by the Company’s Audit Committee (the “**Audit Committee**”) and its auditor, Ernst & Young, Certified Public Accountants.

In this announcement, “we,” “us,” and “our” refer to the Company and where the context otherwise requires, the Group. Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

## FINANCIAL HIGHLIGHTS

	<b>For the year ended December 31,</b>		
	<b>2022</b>	2021	Year-on-year
	<b>RMB'000</b>	RMB'000	change
			%
Revenue	<b>1,386,591</b>	930,673	49.0
– Non-COVID-19-related testing <sup>(1)</sup>	<b>849,966</b>	868,569	(2.1)
– COVID-19-related testing	<b>536,625</b>	62,104	764.1
Gross profit	<b>603,055</b>	485,770	24.1
Gross margin (%)	<b>43.5%</b>	52.2%	(8.7) percentage points
Segment result <sup>(2)</sup> – non-COVID-19-related testing	<b>197,726</b>	197,183	0.3
Segment result – COVID-19-related testing	<b>44,767</b>	6,347	605.3
Net Income	<b>77,484</b>	(1,454,234)	–
Net Margin	<b>5.6%</b>	(156.3%)	–
Adjusted net income <sup>(3)</sup>	<b>77,484</b>	81,055	(4.4)
Adjusted net margin <sup>(4)</sup> (%)	<b>5.6%</b>	8.7%	(3.1) percentage points

### Notes:

- (1) Includes hematology testing, neurology testing, maternity-related testing, genetic disease and rare disease testing, infectious disease testing, oncology testing, routine testing and others.
- (2) Segment result is profit before tax except that other income and gains, administrative expenses, research and development costs, other expenses, finance costs, listing expenses and fair value loss on financial liabilities at fair value through profit or loss (“**FVTPL**”) are excluded.
- (3) For details and calculation of our adjusted net income, see “Management Discussion and Analysis – Non-IFRS Measures: Adjusted Net Income”.
- (4) Equals adjusted net income divided by revenue for the year and multiplied by 100%.

## **Revenue**

Our total revenue increased by 49.0% from RMB930.7 million for the year ended December 31, 2021 to RMB1,386.6 million for the Reporting Period. The change was primarily due to the combined effect of (i) the increasing income from the demand for nationwide screening due to COVID-19 prevention and control policy; (ii) the stability of our testing in hematology, neurology and other specialties by virtue of the iteration of testing products and the expansion of customer groups in face of the continuous negative impact brought by COVID-19 pandemic; and (iii) a relatively large impact on the growth rate of our esoteric testing business exerted by the lock downs in some locations due to our esoteric testing being continuously affected by various negative factors resulting from COVID-19 pandemic.

### ***Gross profit and gross profit margin***

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

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

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

For the year ended December 31, 2022, our adjusted net income amounted to RMB77.5 million, representing a decrease of RMB3.6 million or 4.4% as compared with RMB81.1 million for the year ended December 31, 2021. During the Reporting Period, our adjusted net margin decreased from 8.7% to 5.6%, which was mainly due to increase in research and development costs, selling and marketing expenses as a result of new projects and the expansion of new specialty business, as well as management's provision for estimated credit losses on COVID-19-related receivables and equipment impairment. The segment results of non-COVID-19-related testing services for the reporting period slightly increased by 0.3% as compared with the corresponding period of 2021. For details, please refer to the operating segment results in note 3 to the consolidated financial statements.

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

## **BUSINESS REVIEW AND OUTLOOK**

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

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

### **Specialty esoteric testing business**

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

- ***Hematology-related testing***

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

- ***Neurology-related testing***

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

- ***Maternity-related testing***

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

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

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

- ***Infectious disease-related testing***

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

- ***Oncology-related testing***

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

- ***Ophthalmology-related testing***

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

- ***Rheumatology-related testing***

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

- ***Cardiovascular-related testing***

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

### **Esoteric testing reagents**

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

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

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

### **Immune repertoire**

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### R&D Investment

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

### Specialty Esoteric Testing Business

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

### Financial review

The table below sets forth our consolidated statements of profit or loss for the periods indicated, together with the change (expressed in percentages) from the year ended December 31, 2021 to the corresponding period of 2022:

	For the year ended December 31,		
	2022	2021	Year-on-year
	<i>RMB'000</i>	<i>RMB'000</i>	change
			%
Revenue	<b>1,386,591</b>	930,673	49.0
Cost of sales	<b>(783,536)</b>	(444,903)	76.1
Gross profit	<b>603,055</b>	485,770	24.1
Other income and gains	<b>68,870</b>	62,763	9.7
Selling and marketing expenses	<b>(360,562)</b>	(282,240)	27.8
Administrative expenses	<b>(80,406)</b>	(69,513)	15.7
Research and development costs	<b>(101,226)</b>	(90,325)	12.1
Other expenses	<b>(43,898)</b>	(23,346)	88.0
Listing expenses	—	(30,067)	—
Finance costs	<b>(2,517)</b>	(1,808)	39.2

	<b>For the year ended December 31,</b>		
	<b>2022</b>	2021	Year-on-year
	<b>RMB'000</b>	RMB'000	change
			%
Profit before fair value loss on convertible redeemable preferred shares and tax	<b>83,316</b>	51,234	62.6
Fair value loss on convertible redeemable preferred shares	–	(1,505,222)	–
Profit/(Loss)before tax	<b>83,316</b>	(1,453,988)	(105.7)
Income tax expense	<b>(5,832)</b>	(246)	2,270.7
<b>Profit/(Loss)for the year</b>	<b><u>77,484</u></b>	<b><u>(1,454,234)</u></b>	<b><u>(105.3)</u></b>
Attributable to:			
Owners of the parent	<b>75,457</b>	(1,454,430)	(105.2)
Non-controlling interests	<b><u>2,027</u></b>	<u>196</u>	<u>934.2</u>
<b>Non-IFRS Measure:</b>			
Adjusted net income	<b>77,484</b>	81,055	(4.4)

## Revenue

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

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

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

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

	<b>For the year ended December 31,</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Average price</b>	<b>Testing volume</b>	Average price	Testing volume
	<i>(in (in RMB) thousands)</i>		<i>(in RMB) thousands)</i>	
Hematology testing	<b>684</b>	<b>768</b>	641	835
Neurology testing	<b>1,261</b>	<b>76</b>	985	91
Maternity-related testing	<b>111</b>	<b>449</b>	166	314
Genetic disease and rare disease testing	<b>231</b>	<b>184</b>	260	167
Infectious disease testing	<b>225</b>	<b>211</b>	203	257
Oncology testing	<b>1,102</b>	<b>16</b>	476	18
Routine testing	<b>75</b>	<b>760</b>	59	1,148
<b>Total</b>	<b><u>339</u></b>	<b><u>2,464</u></b>	<u>307</u>	<u>2,830</u>
COVID-19-related testing <sup>(1)</sup>	<b><u>3.62</u></b>	<b><u>148,394</u></b>	<u>13.2</u>	<u>4,696</u>

*Note:*

(1) Number of people testing

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

### ***Hematology testing***

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

### ***Neurology testing***

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

### ***Maternity-related testing***

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

### ***Genetic disease and rare disease testing***

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

### ***Infectious disease testing***

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

### ***Oncology testing***

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

### ***COVID-19-related testing***

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

### ***Others***

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

### **Cost of Sales**

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

	For the year ended December 31,				Year-on -year change %
	2022		2021		
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	
Staff costs	<b>134,335</b>	<b>17.1</b>	115,840	26.1	16.0
Outsourcing costs	<b>333,538</b>	<b>42.6</b>	112,173	25.2	197.3
Raw materials	<b>210,673</b>	<b>26.9</b>	130,923	29.4	60.9
Others	<b>104,990</b>	<b>13.4</b>	85,967	19.3	22.1
<b>Total</b>	<b><u>783,536</u></b>	<b><u>100.0</u></b>	<b><u>444,903</u></b>	<b><u>100.0</u></b>	<b><u>76.1</u></b>

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

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

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

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

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

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

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

- Segment result of our hematology testing was RMB157.3 million for the year ended December 31, 2022, representing an increase of 3.1% as compared with RMB152.6 million for the corresponding period in 2021, which was primarily due to the combined effect of (i) limited marketing activities due to the impact of COVID-19 pandemic, and (ii) cost and fee optimisation owing to the restructuring of hematology testing products. The increase in profit margin for the segment results from 28.5% in 2021 to 29.9% in 2022. Our operation efficiency and profit margin in hematology testing business line met the required level of a matured specialty esoteric testing business line.
- Segment results of our neurology testing service increased by 21.4% from RMB14.1 million for the year ended December 31, 2021 to RMB17.1 million for the Reporting Period, mainly benefited from the substantial revenue growth during the Reporting Period. In addition, other factors affecting the segment results during the Reporting Period included: (i) the structure of neurology testing products was optimized, testing capabilities continued to improve, and the delivery costs were significantly decreased; and (ii) in order to expand neurology testing to improve testing efficiency, we adopted the model of "joint construction for multi-center cooperation platform + translational medicine cooperation platform" and several cooperation platforms for joint cooperation and translational medicine were newly-added by the end of 2022.

- Segment results of our maternity-related testing service were RMB3.1 million for the year ended December 31, 2022, representing a decrease of 12.6% as compared to RMB3.6 million for the corresponding period in 2021, which was primarily due to the decline in revenue from maternity-related testing and the average unit price of services.
- Segment results of our genetic disease and rare disease testing service were RMB6.2 million for the year ended December 31, 2022, representing an increase of 14.8% as compared to RMB5.4 million for the corresponding period in 2021. The growth in segment results in this specialty was primarily benefited from the gradual enrichment of the testing product items, increasing market recognition.
- Segment results of our infectious disease testing service were RMB9.7 million for the year ended December 31, 2022, which was relatively stable as compared with 2021 representing a year-on-year slight decrease of 0.7% as compared with 2021. The percentage of segment revenue increased from 18.8% in 2021 to 20.4 % in 2022. The increase was primarily due to the decrease in selling expenses for the segment.
- Segment results of our oncology testing service were RMB1.4 million for the year ended December 31, 2022, representing an increase of 69.0% as compared to RMB0.8 million for the corresponding period in 2021, primarily due to the rapid growth of our segment revenue and the significant improvement of segment performance.
- Segment results of our COVID-19-related testing service significantly increased from RMB6.3 million for the year ended December 31, 2021 to RMB44.8 million for the Reporting Period, representing a year-on-year increase of 605.3%, primarily due to the substantial increase in segment revenue.

### **Other Income and Gains**

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

### **Selling and Marketing Expenses**

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

### **Administrative Expenses**

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

## **Research and Development Costs**

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

## **Other Expenses**

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

## **Finance Costs**

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

## **Income Tax Expense**

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

## **Profit/(Loss) for the Year**

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

## **Non-IFRS Measures: Adjusted Net Income**

To supplement our consolidated results which are prepared and presented in accordance with IFRS, we also use adjusted net income as an additional financial measure, which is not required by or presented in accordance with IFRS. We believe that this non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impact of items that our management does not consider to be indicative of our operating performance such as certain non-cash items. We added back fair value loss on financial liabilities at FVTPL, which was caused by an increase in the fair value of our convertible redeemable preferred shares and convertible bonds issued by us. The convertible bonds were converted into convertible redeemable preferred shares in 2020, and further converted, together with our other convertible redeemable preferred shares, into ordinary shares upon listing on July 16, 2021 (the "**Listing Date**"), after which we did not recognize any further loss on fair value changes from the convertible redeemable preferred shares. We also added back listing expenses as these are also non-recurring in nature and are not directly related to our operating activities. The use of

this non-IFRS measure has limitations as an analytical tool. Investors and shareholders of our Company should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS. In addition, this non-IFRS financial measure may be defined differently from similar terms used by other companies.

The following table sets forth the reconciliations of our non-IFRS financial measure for the year ended December 31, 2021 and 2022 to the nearest measure prepared in accordance with IFRS:

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

## **Liquidity and Capital Resources**

We have maintained a comprehensive treasury policy, detailing specific functions and internal control measures for capital use. These functions and measures include but are not limited to procedures of capital management and liquidity management. We manage and maintain our liquidity through the use of internally generated cash flows from operations, bank borrowings and proceeds from the global offering (the “**Global Offering**”) and listing (the “**Listing**”) of our ordinary shares (the “**Shares**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). We regularly review our major funding positions to ensure that we have adequate financial resources in meeting our financial obligations.

For the year ended December 31, 2022, we funded our working capital and other capital expenditure requirements through a combination of income generated from operations, investments received and the proceeds from the Global Offering. The following table sets forth a summary of our cash flows for the periods indicated.

	<b>For the year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Net cash flows generated from operating activities	<b>21,407</b>	68,028
Net cash flows used in investing activities	<b>(1,345,153)</b>	(666,059)
Net cash flows generated from financing activities	<b>97,644</b>	1,587,024
Net (decrease)/increase in cash and cash equivalents	<b>(1,226,102)</b>	988,993
Cash and cash equivalents at the beginning of the year	<b>1,796,700</b>	841,227
Effect of foreign exchange rate changes, net	<b>109,761</b>	(33,520)
Cash and cash equivalents at the end of the year	<b>680,359</b>	1,796,700

### ***Cash and cash equivalents***

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

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

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

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

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

### ***Indebtedness***

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

### ***Gearing ratio***

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

## Capital Expenditures

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

	For the year ended	
	December 31,	
	2022	2021
	RMB'000	RMB'000
Purchases of property, plant and equipment	119,666	281,652
Purchases of other intangible assets	4,643	6,603
<b>Total</b>	<b>124,309</b>	<b>288,255</b>

## Contingent Liabilities

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

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

As of December 31, 2022, we did not hold any significant investment. In addition, save for the expansion plans as disclosed in the sections headed “Business” and “Future Plans and Use of Proceeds” in the prospectus of our Company dated June 29, 2021 (the “**Prospectus**”), we have no future plans for material investments or capital assets.

## Material Acquisitions and Disposals

As disclosed in the announcement of the Company dated December 1, 2021, on November 30, 2021, the Group entered into an equity transfer agreement (the “**Equity Transfer Agreement dated November 30, 2021**”) and a capital increase agreement (the “**Capital Increase Agreement dated November 30, 2021**”, together with the Equity Transfer Agreement dated November 30, 2021, the “**Agreements dated November 30, 2021**”) with respect to the acquisition of equity interest and capital increase in Wuhan Haixi. For details, see note 21 to the consolidated financial statements and the announcement of the Company dated December 1, 2021.

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

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

## **Charges on Group Assets**

As of December 31, 2022, we did not have any charged assets.

## **Final Dividend**

The Board has resolved not to declare any final dividend for the year ended December 31, 2022.

## **Annual General Meeting**

The AGM will be held on Thursday, June 1, 2023. A notice convening the AGM will be published and dispatched to the Shareholders in the manner required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in due course.

## **Closure of Register of Members and Entitlement to Attend and Vote at the AGM**

For the purpose of ascertaining the members' eligibility to attend and vote at the AGM, the Company's register of members will be closed from Thursday, May 25, 2023 to Thursday, June 1, 2023, both dates inclusive, during which period no transfer of share will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of Shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, May 24, 2023.

## **Company Information**

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

## **Employees**

As of December 31, 2022, we had 3,367 employees in total and most of them were located in Hubei and Sichuan Provinces, Beijing and Shanghai. We conduct new staff training regularly to guide new employees and help them adapt to the new working environment. In addition, we provide online and in-person formal and comprehensive company-level and department-level training to our employees on a quarterly basis in addition to on-the-job training. We also encourage our employees to attend external seminars and workshops to enrich their technical knowledge and develop competencies and skills, and provide training and development programs to our employees and external training sessions from time to time to improve their technical skills and ensure their awareness and compliance with our various policies and procedures.

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

The Company adopted the pre-IPO stock incentive plans on March 14, 2013, December 20, 2015 and December 1, 2016. As of December 31, 2022, options to subscribe for 99,997,664 Shares, representing approximately 10.14% of the then total issued share capital of the Company, were outstanding and held by the grantees. On June 22, 2021, the Company also adopted the Post-IPO RSU Scheme and Post-IPO Option Scheme, of which our employees are eligible participants, effective upon the Listing Date. Details of the Post-IPO RSU Scheme and the Post-IPO Option Scheme are set out in the sections headed "Statutory and General Information – E. Post-IPO RSU Scheme" and "Statutory and General Information – F. Post-IPO Option Scheme" in Appendix IV to the Prospectus. As of December 31, 2022, no restricted share unit or option had been granted or agreed to be granted under the Post-IPO RSU Scheme or Post-IPO Option Scheme, respectively.

## **Significant Events After the Reporting Period**

Save as disclosed in note 22 to the consolidated financial statements, there are no material events subsequent to December 31, 2022 which could have a material impact on our operating and financial performance as of the date of this announcement.

## Use of Proceeds from the Global Offering

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

Intended use of proceeds	Percentage of intended use of proceeds (%)	Intended use of proceeds from the initial public offering (In HKD millions)	Unutilized net proceeds as of December 31, 2021 (In HKD millions)	Actual use of proceeds during 2022 (In HKD millions)	Unutilized net proceeds as of December 31, 2022 (In HKD millions)	Timeframe for the unused balance
<b>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	253.7	29.5	224.2	By June 30, 2025
Sales, marketing and expansion of genetic diseases and rare diseases and maternity-related testing business	10	205.4	178.6	11.2	167.4	By June 30, 2025
Sales, marketing and expansion of oncology, infectious disease and neurology testing businesses	10	205.4	173.7	26.0	147.7	By June 30, 2025
<b>Research and development of our existing esoteric testing service lines</b>						
Research and development of hematology testing	6.7	136.9	95.3	35.3	60.0	By June 30, 2025
Research and development of genetic diseases and rare diseases and maternity-related testing	6.7	136.9	132.0	2.7	129.3	By June 30, 2025
Research and development of neurology, infectious disease, oncology and routine testing	6.7	136.9	128.5	4.0	124.5	By June 30, 2025

Intended use of proceeds	Percentage of intended use of proceeds	Intended use of proceeds from the initial public offering (In HKD millions)	Unutilized net proceeds as of December 31, 2021 (In HKD millions)	Actual use of proceeds during 2022 (In HKD millions)	Unutilized net proceeds as of December 31, 2022 (In HKD millions)	Timeframe for the unused balance
Development and commercialization of new lines of esoteric testing services	15	308.0	285.4	6.7	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	97.9	21.9	76.0	By June 30, 2025
Increasing our testing capacity	10	205.4	159.0	47.2	111.8	By June 30, 2025
Overseas expansion into markets outside of China	5	102.7	102.7	–	102.7	By June 30, 2025
Working capital and other general corporate purposes	10	205.4	181.0	19.7	161.3	–
<b>Total</b>	<b>100.0</b>	<b>2,053.6</b>	<b>1787.8</b>	<b>204.2</b>	<b>1,583.4</b>	By June 30, 2025

Note:

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

As of the date of this announcement, the Board is aware that there has been a delay in the use of proceeds from the Listing when compared to the implementation plan as disclosed in the annual report of the Company for the year ended December 31, 2021 published on April 25, 2022, which is primarily because of the outbreak of COVID-19. We currently have no intention to change the use of the unutilized net proceeds and have been actively monitoring the market environment for appropriate timing to implement our plans, especially in light of the recent relaxation of the zero-COVID policy by the PRC government. It is currently expected that the unutilized net proceeds will be fully utilized by June 30, 2025, subject to changes in market conditions and policies and the timing when appropriate opportunities arise in the industry. To the extent that the net proceeds from the Global Offering are not immediately applied for the above purposes and to the extent permitted by the relevant law and regulations, we intend to deposit the net proceeds only into short-term deposits with licensed financial institutions in Hong Kong or the PRC. We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	2022 <i>RMB'000</i>	2021 RMB'000
<b>REVENUE</b>	4	<b>1,386,591</b>	930,673
Cost of sales		<u>(783,536)</u>	<u>(444,903)</u>
<b>Gross profit</b>		<b>603,055</b>	485,770
Other income and gains		<b>68,870</b>	62,763
Selling and marketing expenses		<b>(360,562)</b>	(282,240)
Administrative expenses		<b>(80,406)</b>	(69,513)
Research and development costs		<b>(101,226)</b>	(90,325)
Other expenses		<b>(43,898)</b>	(23,346)
Listing expenses		–	(30,067)
Finance costs		<u>(2,517)</u>	<u>(1,808)</u>
<b>PROFIT BEFORE FAIR VALUE LOSS ON CONVERTIBLE REDEEMABLE PREFERRED SHARES AND TAX</b>		<b>83,316</b>	51,234
Fair value loss on convertible redeemable preferred shares		<u>–</u>	<u>(1,505,222)</u>
<b>PROFIT/(LOSS) BEFORE TAX</b>	5	<b>83,316</b>	(1,453,988)
Income tax expense	6	<u>(5,832)</u>	<u>(246)</u>
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b><u>77,484</u></b>	<b><u>(1,454,234)</u></b>
Attributable to:			
Owners of the parent	8	<b>75,457</b>	(1,454,430)
Non-controlling interests		<u>2,027</u>	<u>196</u>
		<b><u>77,484</u></b>	<b><u>(1,454,234)</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the financial statements of subsidiaries		<u>–</u>	<u>13,726</u>
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		<u>108,147</u>	<u>(39,077)</u>
Other comprehensive expense for the year, net of tax		<u>77,484</u>	<u>(25,351)</u>
Total comprehensive income/(expense) for the year, net of tax		<b><u>185,631</u></b>	<b><u>(1,479,585)</u></b>

	<i>Notes</i>	<b>2022</b> <b><i>RMB'000</i></b>	2021 RMB'000
Attributable to:			
Owners of the parent		<b>183,604</b>	(1,479,781)
Non-controlling interests		<b>2,027</b>	196
		<b>185,631</b>	(1,479,585)
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic (RMB)			
For profit/(loss) for the year	<i>8</i>	<b>9.49 cents</b>	(293 cents)
Diluted (RMB)			
For profit/(loss) for the year	<i>8</i>	<b>9.22 cents</b>	(293 cents)

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION***31 December 2022*

	<i>Notes</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>9</i>	<b>378,718</b>	354,902
Right-of-use assets		<b>20,598</b>	17,676
Prepayments, deposits and other receivables	<i>12</i>	<b>33,757</b>	16,636
Other intangible assets		<b>32,741</b>	25,602
Time deposits	<i>13</i>	<b>225,000</b>	60,000
Investments in associates		<b>6,520</b>	5,764
Deferred tax assets		<b>52,007</b>	48,021
Goodwill		<b>10,439</b>	2,190
Financial assets at FVTPL	<i>10</i>	<b>216,764</b>	88,500
<b>Total non-current assets</b>		<b>976,544</b>	619,291
<b>CURRENT ASSETS</b>			
Inventories		<b>58,685</b>	50,812
Trade and bills receivables	<i>11</i>	<b>633,853</b>	339,144
Prepayments, deposits and other receivables	<i>12</i>	<b>48,134</b>	34,486
Amounts due from related parties	<i>10</i>	<b>1,143</b>	–
Financial assets at FVTPL	<i>10</i>	<b>49,197</b>	74,371
Time deposits (more than 3 months)	<i>13</i>	<b>1,271,836</b>	274,155
Pledged deposits		<b>5,593</b>	–
Cash and cash equivalents		<b>680,359</b>	1,796,700
<b>Total current assets</b>		<b>2,748,800</b>	2,569,668
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>14</i>	<b>299,513</b>	134,820
Other payables and accruals	<i>15</i>	<b>320,355</b>	278,966
Contract liabilities	<i>16</i>	<b>11,793</b>	6,024
Interest-bearing bank borrowings	<i>17</i>	<b>180,000</b>	–
Profit tax payable		<b>1,579</b>	2,061
Amounts due to related parties		<b>25,546</b>	6,380
Lease liabilities		<b>10,998</b>	8,360
Deferred tax liabilities		<b>5,350</b>	547
Contingent Consideration		<b>6,419</b>	15,255
<b>Total current liabilities</b>		<b>861,553</b>	452,413
<b>NET CURRENT ASSETS</b>		<b>1,887,247</b>	2,117,255
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,863,791</b>	2,736,546

	<i>Notes</i>	<b>2022</b> <b><i>RMB'000</i></b>	2021 <i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Deferred income		<b>1,199</b>	1,906
Lease liabilities		<b>8,863</b>	9,832
<b>Total non-current liabilities</b>		<b>10,062</b>	11,738
<b>Net Assets</b>		<b>2,853,729</b>	2,724,808
<b>EQUITY IN EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	<i>18</i>	<b>1,556</b>	1,466
Treasury shares	<i>18</i>	<b>43</b>	1
Reserves	<i>19</i>	<b>2,824,919</b>	2,718,748
		<b>2,826,518</b>	2,720,215
Non-controlling interests		<b>27,211</b>	4,593
<b>Total equity</b>		<b>2,853,729</b>	2,724,808

## NOTES

### 1. CORPORATE AND GROUP INFORMATION

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

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

#### Information about subsidiaries

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

Name	Notes	Date and place of incorporation/ registration and place of operations	Issued ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Kindstar Globalgene (HK) Limited		Hong Kong 30-Aug-2007	HKD10,000	100%	–	Investment holding
Kindstar Singapore Holdings PTE. Ltd.		Singapore 11-Sep-2019	US\$1	100%	–	Investment holding
康聖環球(北京)醫學技術有限公司 Kindstar Global (Beijing) Technology Co., Ltd.* (“Kindstar Beijing WFOE”)		PRC/Mainland China 20-Nov-2007	RMB121,000,000	–	100%	Investment holding
武漢康聖達醫學檢驗所有限公司 Wuhan Kindstar Medical Laboratory Co., Ltd.* (“Wuhan Kindstar”)		PRC/Mainland China 8-Aug-2003	RMB6,900,000	–	100%	Clinical Testing Service
北京海思特醫學檢驗實驗室有限公司 Beijing Hightrust Medical Laboratory Co., Ltd.* (“Beijing Hightrust”)		PRC/Mainland China 26-Aug-2005	RMB20,000,000	–	100%	Clinical Testing Service
上海新培晶醫學檢驗所有限公司 Shanghai SimpleGene Medical Laboratory Co., Ltd.* (“Shanghai SimpleGene”)		PRC/Mainland China 28-Sep-2004	RMB20,000,000	–	100%	Clinical Testing Service
新疆康聖達醫學檢驗所有限公司 Xinjiang Kindstar Medical Laboratory Co., Ltd.* (“Xinjiang Kindstar”)	(a)	PRC/Mainland China 6-Apr-2017	RMB16,000,000	–	100%	Clinical Testing Service
四川華西康聖達醫學檢驗有限公司 Sichuan Huaxi Kindstar Medical Laboratory Co., Ltd.* (“Huaxi kindstar”)		PRC/Mainland China 29-Dec-2017	RMB10,000,000	–	60%	Clinical Testing Service
成都聖元醫學檢驗實驗室有限公司 Chengdu Shengyuan Medical Laboratory Co., Ltd.* (“Chengdu Shengyuan”)		PRC/Mainland China 16-Oct-2018	RMB5,000,000	–	65%	Clinical Testing Service
康聖環球(武漢)醫學特檢技術有限公司 Kindstar Global (Wuhan) Medical Esoteric Technology Co., Ltd.* (“Kindstar Global Wuhan”)		PRC/Mainland China 05-Sep-2017	RMB10,100,000	–	100%	Investment holding
天津康聖達醫學檢驗實驗室有限公司 Tianjin Kindstar Medical Laboratory Co., Ltd.* (“Tianjin Kindstar”)		PRC/Mainland China 27-Oct-2017	RMB5,000,000	–	90%	Clinical Testing Service
上海希諾醫學檢驗實驗室有限公司 Shanghai Xinuo Medical Laboratory Co., Ltd.* (“Shanghai Xinuo”)		PRC/Mainland China 15-Oct-2019	RMB5,000,000	–	80%	Clinical Testing Service

Name	Notes	Date and place of incorporation/ registration and place of operations	Issued ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
廣州希諾醫學檢驗實驗室有限公司 Guangzhou Xinuo Medical Laboratory Co., Ltd. (“Guangzhou Xinuo”)		PRC/Mainland China 10-Oct-2019	RMB10,000,000	–	80%	Clinical Testing Service
康聖環球醫學科技(武漢)有限公司 Kindstar Global Medical Technology (Wuhan) Co., Ltd. (“Kindstar Wuhan WFOE”)		PRC/Mainland China 11-Sep-2020	RMB800,000,000	–	100%	Investment holding
武漢康聖真源醫學檢驗所有限公司 Wuhan Kindstar Zhenyuan Medical Laboratory Co., Ltd. (“Kindstar Zhenyuan”)	(b)	PRC/Mainland China 3-Feb-2021	RMB10,000,000	–	70%	Clinical Testing Service
康聖環球(武漢)投資管理有限公司 Kindstar Global (Wuhan) Investment Management Co., Ltd. (“Kindstar Investment”)	(c)	PRC/Mainland China 8-Sep-2021	RMB30,000,000	–	100%	Investment holding
武漢康聖貝泰生物科技有限公司 Wuhan Kindstar Biotechnology Co., Ltd. (“Kindstar Biotech”)	(d)	PRC/Mainland China 14-Sep-2021	RMB10,000,000	–	70%	Clinical Testing Service
武漢易檢雲諮詢技術有限公司 Wuhan Yijianyun Information Technology Co., Ltd. (“Wuhan Yijianyun”)	(e)	PRC/Mainland China 8-Oct-2021	RMB5,000,000	–	90%	E-commerce Service
成都溫江康聖友醫互聯網醫院有限公司 Chengdu Wenjiang Kangshengyou Medical Internet Hospital Co., Ltd. (“Wenjiang Kangshengyou”)	(f)	PRC/Mainland China 22-Oct-2021	RMB50,000,000	–	100%	Clinical Testing Service
上海信諾佰世醫學檢驗有限公司 Shanghai SinoPath Medical Laboratory Co., Ltd. (“SinoPath”)	(g)	PRC/Mainland China 1-Dec-2021	RMB33,000,000	–	100%	Clinical Testing Service
武漢海希生物科技有限公司 Wuhan Haixi Biological Technology Co., Ltd. (“Haixi Biological Technology”)	(h)	PRC/Mainland China 21-Jan-2022	RMB1,000,000	–	51.1%	Product development and technical services
武漢海希生命科技有限公司 Wuhan Haixi Life Science Technology Co., Ltd (“Wuhan Haixi”)	(h)	PRC/Mainland China 21-Jan-2022	RMB1,000,000	–	51.1%	Reagent development and sales
武漢鴻蒙賽爾生物科技有限公司 Wuhan HumanCell Biotechnology Co., Ltd (“HumanCell”)	(i)	PRC/Mainland China 6-Apr-2022	RMB10,000,000	–	100%	Car-t Treatment
武漢康聖金岸醫學檢驗有限公司 Wuhan Kindstar Kindan Medical Laboratory Co., Ltd. (“Kindstar Jinan”)	(j)	PRC/Mainland China 6-Jun-2022	RMB500,000	–	100%	Clinical Testing Service
武漢康聖啟源醫學檢驗實驗室有限公司 Wuhan Kindstar Qiyuan Medical Laboratory Co., Ltd. (“Wuhan Qiyuan”)	(k)	PRC/Mainland China 28-Jun-2022	RMB10,000,000	–	100%	Clinical Testing Service
武漢康聖澤源醫學檢驗實驗室有限公司 Wuhan Kindstar Zeyuan Medical Laboratory Co., Ltd. (“Wuhan Zeyuan”)	(k)	PRC/Mainland China 16-Aug-2022	RMB500,000	–	100%	Clinical Testing Service
武漢康聖青合醫學檢驗有限公司 Wuhan Kindstar Qinghe Medical Laboratory Co., Ltd. (“Wuhan Qinghe”)	(j)	PRC/Mainland China 19-Aug-2022	RMB500,000	–	100%	Clinical Testing Service

Name	Notes	Date and place of incorporation/ registration and place of operations	Issued ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
武漢希諾醫學檢驗實驗室有限公司 Wuhan Xinuo Medical Laboratory Co., Ltd. (“Wuhan Xinuo”)	(l)	PRC/Mainland China 7-Sep-2022	RMB5,000,000	–	100%	Clinical Testing Service
康聖環球(長沙)醫學科技有限公司 Kindstar Global (Changsha) Medical Technology Co., Ltd (“Kindstar Changsha”)	(m)	PRC/Mainland China 12-Dec-2022	RMB30,000,000	–	100%	Clinical Testing Service

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

*Notes:*

- (a) During the year ended 31 December 2021, the Group acquired the 43% interest from the non-controlling interest shareholders of Xinjiang Kindstar, totally with 100% interest.
- (b) On 3 February 2021, Kindstar Zhenyuan was established under the laws of the PRC with a registered capital of RMB10 million.
- (c) On 8 September 2021, Kindstar Investment was established under the laws of the PRC with a registered capital of RMB30 million.
- (d) On 14 September 2021, Kindstar Biotech was established under the laws of the PRC with a registered capital of RMB10 million.
- (e) On 8 October 2021, the Group acquired the 65% interest from the non-controlling interest shareholders of Wuhan Yijianyun, totally with 90% interest.
- (f) On 22 October 2021, Wenjiang Kangshenyuan was established under the laws of the PRC with a registered capital of RMB50 million.
- (g) On 1 December 2021, the Group acquired the 100% interest from the non-controlling interest shareholders of Sinopath.
- (h) On 21 January 2022, the Group acquired Wuhan Haixi and Haixi Biological Technology. Further details of the acquisition are included in note 35 to the Consolidated Financial Statements.
- (i) On 6 April 2022, HumanCel was established under the laws of the PRC with a registered capital of RMB10 million.
- (j) On 6 June 2022 and 19 August 2022, Kindstar Jinan and Wuhan Qinghe was established under the laws of the PRC with a registered capital of RMB0.5 million respectively.
- (k) On 28 June 2022 and 16 August 2022, Wuhan Qiyuan and Wuhan Zeyuan was established under the laws of the PRC with a registered capital of RMB10 million and 0.5 million respectively.
- (l) On 7 September 2022, Wuhan Xinuo was established under the laws of the PRC with a registered capital of RMB5 million.
- (m) On 12 December 2022, Kindstar Changsha was established under the laws of the PRC with a registered capital of RMB30 million.

## 2.1 BASIS OF PREPARATION

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

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

## 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSS

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>3</sup> No mandatory effective date yet determined but available for adoption.

<sup>4</sup> As a consequence of the amendments to IFRS 17 issued in June 2020, the effective date of IFRS 17 was deferred to 1 January 2023 and IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023.

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

<sup>6</sup> Consequential amendments were also made to the Illustrative Examples to IFRS 16.

<sup>7</sup> As a consequence of the amendments to IAS 1 issued in August 2020 and December 2022, International Interpretation Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion.

<sup>8</sup> As a consequence of the amendments to IAS 1 Non-current Liabilities with Covenants issued in 2022, the effective date of the amendments to IAS 1 Classification of Liabilities as Current or Non-current was deferred to annual periods beginning on or after 1 January 2024. In addition, consequential amendments were made to IFRS Practice Statement 2 Making Materiality Judgements.

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

### 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has nine reportable operating segments as follows:

- (a) Hematology testing segment includes testing services related to blood diseases.
- (b) Genetic diseases and rare diseases segment includes testing services from the rare disease.
- (c) Infectious diseases segment includes testing services from the infection department.
- (d) Oncology segment includes testing related to oncology diseases.
- (e) Neurology segment includes testing services related to neurological diseases undertaken by the Group.
- (f) Maternity-related diseases segment includes testing services related to maternity.
- (g) COVID-19 related testing segment includes testing services related to COVID-19.
- (h) Routine testing segment conducts routine tests for the doctors' daily diagnoses.
- (i) The "others" segment provides Testing services for R&D projects and others and miscellaneous service.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit before tax except that other income and gains, administrative expenses, research and development costs, other expenses, finance costs, listing expense and fair value loss on financial liabilities at FVTPL are excluded from such measurement. No analysis of segment assets and liabilities is presented as management does not regularly review such information for the purposes of resource allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

For the year ended 31 December 2022

Segments	Hematology Testing RMB'000	Genetic diseases and rare diseases RMB'000	Infectious diseases RMB'000	Oncology RMB'000	Neurology RMB'000	Maternity-related diseases RMB'000	COVID-19 related testing RMB'000	Routine testing RMB'000	Others RMB'000	Total RMB'000
<b>Segment revenue:</b>										
Sales to external customers	525,800	42,778	47,693	17,872	95,350	49,961	536,625	57,439	13,073	1,386,591
<b>Segment results</b>	<b>157,282</b>	<b>6,229</b>	<b>9,720</b>	<b>1,406</b>	<b>17,064</b>	<b>3,106</b>	<b>44,767</b>	<b>2,644</b>	<b>275</b>	<b>242,493</b>
Reconciliation:										
Other income and gains										68,870
Administrative expenses										(80,406)
Research and development costs										(101,226)
Other expenses										(43,898)
Finance costs										(2,517)
<b>Group's profit before tax</b>										<b>83,316</b>

**For the year ended 31 December 2021**

Segments	Hematology Testing RMB '000	Genetic diseases and rare diseases RMB '000	Infectious diseases RMB '000	Oncology RMB '000	Neurology RMB '000	Maternity-related diseases RMB '000	COVID-19 related testing RMB '000	Routine testing RMB '000	Others RMB '000	Total RMB '000
<b>Segment revenue:</b>										
Sales to external customers	535,268	43,495	51,968	8,615	89,848	52,248	62,104	67,672	19,455	930,673
<b>Segment results</b>	<b>152,573</b>	<b>5,428</b>	<b>9,784</b>	<b>832</b>	<b>14,058</b>	<b>3,554</b>	<b>6,347</b>	<b>4,968</b>	<b>5,986</b>	<b>203,550</b>
Reconciliation:										
Other income and gains										62,763
Administrative expenses										(69,513)
Research and development costs										(90,325)
Other expenses										(23,346)
Finance costs										(1,808)
Listing expenses										(30,067)
Fair value loss on convertible redeemable preferred shares										(1,505,222)
<b>Group's loss before tax</b>										<b>(1,453,988)</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.

## 4. REVENUE

An analysis of revenue is as follows:

### Revenue from contracts with customers

#### (i) Disaggregated revenue information

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

The following table shows the amounts of revenue recognised during the reporting periods that were included in the contract liabilities at the beginning of each reporting period and recognised from performance obligations satisfied in previous periods:

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

#### (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.

## 5. PROFIT/(LOSS) BEFORE TAX

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

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

## 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 year.

### Mainland China

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the “CIT Law”), the subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% on the taxable income except those which are subject to tax concession as set out below:

		2022	2021
Entity			
Wuhan Kindstar	1	15%	15%
Beijing Hightrust	2	15%	15%
Shanghai SimpleGene	3	15%	15%
Xinjiang Kindstar	4	15%	15%
Wenjiang Kangshenyoun	4,5	15%	15%
Chengdu Shengyuan	4	15%	15%
Huaxi Kinstar	4	15%	15%
SinoPath	6	15%	15%

- (1) In 2016, Wuhan Kindstar was accredited as a “High and New Technology Enterprise”(“HNTE”) for a period of three years from 2016 to November 2018. Wuhan Kindstar subsequently renewed its HNTE qualification in 2019, and is entitled to a preferential CIT rate of 15% from 2019 to 2022. This qualification is subject to review by the relevant tax authority in the PRC for every three years.
- (2) In 2014, Beijing Hightrust was accredited as a HNTE for a period of three years from 2014 to 2016. Beijing Hightrust subsequently renewed its HNTE qualification in 2017 and 2020, and was entitled to a preferential CIT rate of 15% from 2017 to 2019 and 2020 to 2022, respectively. This qualification is subject to review by the relevant tax authority in the PRC for every three years.
- (3) Shanghai SimpleGene was accredited as a HNTE in 2019 and therefore Shanghai SimpleGene was entitled to a preferential CIT rate of 15% from 2019 to 2021 and 2022 to 2024. This qualification is subject to review by the relevant tax authority in the PRC for every three years.
- (4) Under the policies for the Grand Western Development Program, the Group’s subsidiaries incorporated in Western China (Xinjiang Kindstar, Huaxi Kindstar, Wenjiang Kangshenyoun and Chengdu Shengyuan) were subject to corporate tax at 15% in 2022. The rate applied to companies located in Western China which engaged in the encouraged industries listed in the Grand Western Development Program. This policies shall be effective during 2019 to 2031.

- (5) Wenjiang 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 shall be effective during 2019 to 2031.
- (6) SinoPath was accredited as a HNTE in 2022 and therefore SinoPath was entitled to a preferential CIT rate of 15% from 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:

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

A reconciliation of the tax expense applicable to loss before tax at the statutory rate for Mainland China in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the statutory tax rates to the effective tax rates, are as follows:

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

The Group has accumulated tax losses arising in Mainland China of RMB77,611,000 accumulated as at 31 December 2022(2021: RMB27,627,000), that will expire in one to ten years for offsetting against future taxable profits of the subsidiaries in which the losses arose. The tax losses had been fully recognized in deferred tax assets as at the end of each reporting periods.

## 7. DIVIDENDS

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

## 8. PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

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

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

The calculation of basic loss per share is based on:

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

9. PROPERTY, PLANT AND EQUIPMENT

31 December 2022

	Buildings RMB'000	Laboratory equipment RMB'000	Transportation equipment RMB'000	Other equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 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	<u>219,169</u>	<u>70,249</u>	<u>2,014</u>	<u>14,179</u>	<u>44,467</u>	<u>4,824</u>	<u>354,902</u>
At 1 January 2022, net of accumulated depreciation	219,169	70,249	2,014	14,179	44,467	4,824	354,902
Additions	12,158	54,191	1,259	5,344	15,828	5,164	93,944
Transfer	-	-	-	-	4,531	(4,531)	-
Disposals	-	(9,784)	(22)	(310)	-	(361)	(10,477)
Impairment	-	(13,314)	-	-	-	-	(13,314)
Acquisition of a subsidiary (note 35)	-	39	-	24	260	-	323
Depreciation provided during the year	(5,104)	(24,466)	(622)	(5,050)	(11,418)	-	(46,660)
At 31 December 2022, net of accumulated depreciation	<u>226,223</u>	<u>76,915</u>	<u>2,629</u>	<u>14,187</u>	<u>53,668</u>	<u>5,096</u>	<u>378,718</u>
At 31 December 2022:							
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	<u>226,223</u>	<u>76,915</u>	<u>2,629</u>	<u>14,187</u>	<u>53,668</u>	<u>5,096</u>	<u>378,718</u>

### 31 December 2021

	Buildings RMB '000	Laboratory equipment RMB '000	Transportation equipment RMB '000	Other equipment RMB '000	Leasehold improvements RMB '000	Construction in progress RMB '000	Total RMB '000
At 1 January 2021							
Cost	–	183,494	4,165	31,149	91,871	362	311,041
Accumulated depreciation	–	(128,633)	(3,289)	(17,598)	(39,321)	–	(188,841)
Net carrying amount	–	54,861	876	13,551	52,550	362	122,200
At 1 January 2021, net of accumulated depreciation	–	54,861	876	13,551	52,550	362	122,200
Additions	219,996	37,113	1,573	4,752	1,603	5,025	270,062
Transfer	–	(4)	–	4	411	(411)	–
Disposals	–	(1,890)	–	(200)	–	(152)	(2,242)
Acquisition of a subsidiary	–	–	–	514	15	–	529
Depreciation provided during the year	(827)	(19,831)	(435)	(4,442)	(10,112)	–	(35,647)
At 31 December 2021, net of accumulated depreciation	219,169	70,249	2,014	14,179	44,467	4,824	354,902
At 31 December 2021: Cost	219,996	212,922	5,738	32,676	93,901	4,824	570,057
Accumulated depreciation	(827)	(142,673)	(3,724)	(18,497)	(49,434)	–	(215,155)
Net carrying amount	219,169	70,249	2,014	14,179	44,467	4,824	354,902

## 10. FINANCIAL ASSETS AT FVTPL

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

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

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

The Group recorded investment income of RMB1,312 thousand and loss RMB174 thousand for the year ended 31 December 2021 and the year ended 31 December 2022. The returns on all of these financial products are not guaranteed. Those wealth management products are accounted at fair value through profit or loss.

The fair values are based on cash flow discounted using the expected return based on management judgment and the fair value of structured deposits is level 2 of the fair value hierarchy and money market funds is level 3 of the fair value hierarchy.

## 11. TRADE AND BILLS RECEIVABLES

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

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

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

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

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customers with similar loss patterns such as ageing, historical denial and past collection experience. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. In addition, trade receivables with significant outstanding and credit-impaired balances are assessed for ECL individually.

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

## 2022

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

2021

	Amount <i>RMB'000</i>	Expected loss rate %	Impairment <i>RMB'000</i>
Individually assessed:	5,659	100.00	5,659
Measured by provision matrix:			
Within 1 year	229,765	2.51	5,769
1 year to 2 years	84,093	9.17	7,715
2 years to 3 years	41,360	22.77	9,419
3 years to 4 years	9,225	38.60	3,561
4 years to 5 years	2,696	60.42	1,629
Over 5 years	4,014	99.20	3,982
	<u>376,812</u>		<u>37,734</u>

## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

The balances are not secured by collateral.

Other receivables had no historical default. The financial assets included in the above balances relate to receivables were categorised in stage 1 at the end of each of the reporting periods. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data. During the reporting periods, the Group estimated that the expected credit loss rate for other receivables and deposits was minimal.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Long ageing balances are reviewed regularly by senior management. In view of the fact that the Group's deposits and other receivables relate to a large number of diversified counterparties, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its deposits and other receivable balances.

\* The amount represents prepayments for construction in progress and acquisition of property, plant and equipment.

### 13. TIME DEPOSITS

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

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

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

### 14. TRADE AND BILLS PAYABLES

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

An ageing analysis of the trade and bill payables as at the end of each of the reporting periods, based on the invoice date, is as follows:

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

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

### 15. OTHER PAYABLES AND ACCRUALS

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

\* 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.

## 16. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

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

Contract liabilities include advances received to provide Testing services for R&D projects and others and Clinical Testing Service.

## 17. INTEREST-BEARING BANK BORROWINGS

	As at 31 December 2022		
	Effective interest rate per annum %	Maturity	<i>RMB'000</i>
Current:			
Bank loans – guaranteed	<u>2.6</u>	2,022	<u>180,000</u>

Analysed into:

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

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

## 18. SHARE CAPITAL

### Issued and fully paid

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

## Share Capital

	Number of shares in issue	Share capital (RMB '000)
At 1 January 2021	36,340,842	242
Share split ( <i>Note ii</i> )	109,022,526	–
Automatic conversion of Convertible Preferred Shares upon Global Offering	533,850,752	864
Shares issued upon Global Offering ( <i>Note iii</i> )	226,405,000	366
Share repurchase ( <i>Note iv</i> )	<u>(4,008,500)</u>	<u>(6)</u>
At 31 December 2021	<u>901,610,620</u>	<u>1,466</u>
Shares issued upon exercise of share options ( <i>Note 34</i> )	99,997,664	159
Share repurchase ( <i>Note iv &amp; Note v</i> )	<u>(40,107,000)</u>	<u>(69)</u>
At 31 December 2022	<u>961,501,284</u>	<u>1,556</u>

## Treasury Shares

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

### Notes:

- i. The Company was incorporated on 24 August 2008 with authorised share capital of US\$50,000 divided into 50,000,000 ordinary shares with a par value of US\$0.001 each. On 30 January 2012, the Company increased its authorised share capital to US\$200,000 divided into 130,067,668 ordinary shares of a par value of US\$0.001 each. In October and November 2020, Tu Zan-Bing, the key management member of the Company, transferred 17,493,027 options of the Company acquired from the Pre-IPO Share Option Scheme to Ever Prospect, which is controlled by Tu Zan-Bing. On 11 November 2020, Ever Prospect exercised 9,656,036 share options.
- ii. Pursuant to a shareholders' resolution passed on June 22, 2021, the authorized share capital of the Company was subdivided on a 1-to-4 basis upon the initial public offering and as a result, the par value was changed from US\$0.001 per each share to US\$0.00025 per each share and the authorized share capital of the Company of US\$500,000 was subdivided into 2,000,000,000 Shares of US\$0.00025 each share (the "Share Subdivision").

- iii. On 16 July 2021, the Company issued a total of 226,405,000 ordinary shares of US\$0.000025 each at the price of HK\$9.78 per share by means of Global Offering.
- iv. Pursuant to the board resolution passed on 5 November 2021, the Company announced to exercise its powers under the repurchase mandate to repurchase shares of the Company. A total of 15,381,000 shares were repurchased by the Company at a total consideration of HK\$35,518,000 (equivalent to approximately RMB30,917,000) during the year ended 31 December 2022(2021: A total of 4,008,500 shares were repurchased by the Company at a total consideration of HK\$19,795,000 (equivalent to approximately RMB16,281,000) during the year ended 31 December 2021)), among which 15,381,000 (2021:3,428,000) shares had been cancelled and the remaining 407,000 shares had not been cancelled as at 31 December 2022. (2021: the remaining 580,500 shares had not been cancelled as at 31 December 2021).
- v. Pursuant to the board resolution passed on 22 June 2021, as disclosed in the Prospectus, according to the rules of the Post-IPO RSU Scheme, the Company may, among others, transfer to the RSU Trustee the necessary funds and instruct the RSU Trustee to acquire Shares through on market transactions at the prevailing market price, so as to satisfy the Awards. A total of 24,726,000 shares were repurchased by the Company at a total consideration of HK\$52,437,000 (equivalent to approximately RMB45,776,000) during the year ended 31 December 2022.

## 19. RESERVES

### Group

The amounts of the Group's reserves and the movement therein are presented in the consolidated statements of change in equity on pages 9 to 10 of the consolidated financial statements.

#### *(i) Capital reserve*

The capital reserve represents the difference between the par value of the shares issued and the consideration received.

#### *(ii) Other capital reserve*

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

#### *(iii) Share options reserve*

The share options reserve of the Group represents the fair value of equity-settled share-based payments granted in 2013, 2015 and 2016. None share options were exercised in 2021.

#### *(iv) Exchange fluctuation reserve*

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statement of group companies whose functional currencies are different from the Group's presentation currency.

## 20. 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:

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

*Notes:*

- (i) 25%, 25%, 25% and 25% of the total number of the options granted shall vest on the first, second, third and fourth anniversary of vesting commencement date, respectively.
- (ii) 100% of the total number of the options granted shall vest immediately after grant date.

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

The following share options were outstanding during the reporting periods:

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

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

## 21. BUSINESS COMBINATION

The Group held 30% equity interests in Wuhan Haixi as at 31 December 2021. In November 2021, the Group entered into a equity transfer agreement (“Equity Transfer Agreement Dated 30 November 2021”) to further acquire 21.77% equity interest in Wuhan Haixi from Mr. Huang Shi-ang and an individual shareholder at a total consideration of RMB10,657,900. The Group also entered into a capital increase agreement (“Capital Increase Agreement dated 30 November 2021”, together with the Equity Transfer Agreement dated 30 November 2021, the “Agreements dated 30 November 2021”) with Wuhan Haixi, pursuant to which the Group agreed to make a capital contribution of RMB15,000,000 in cash into Wuhan Haixi. The closing conditions of the aforementioned acquisition and capital injection include achieving certain sales/net profit target for year 2021 by Wuhan Haixi and obtaining approval by the shareholders of the Company etc.

With the sales/net profit targets achieved by Wuhan Haixi, the closing conditions under the Agreements dated 30 November 2021 were met. The acquisition was completed on 21 January 2022 when the Company obtained control of the operating and financial activities of Wuhan Haixi and obtained approval by the shareholders of the Company. In January 2022, the consideration for the equity transfer of RMB10,657,900 has been paid to Mr. Huang Shi-ang and an individual shareholder and the capital of RMB15,000,000 has been injected into Wuhan Haixi. Upon completion of the equity transfer and capital injection, Wuhan Haixi became held as to 51.10% by the Group and became a non-wholly owned subsidiary of the Group.

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

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

	<i>Notes</i>	<b>Fair value recognized on acquisition RMB’000</b>
Property plant and equipment	9	323
Other intangible assets		7,500
Cash and cash equivalents		2,773
Prepayments, deposits and other receivables		100
Trade and bills receivables		1,944
Inventory		809
Profit Tax payables		(108)
Deferred tax liabilities		(1,875)
Other payables and accruals		(95)
Trade payables		(308)
		<hr/>
Total identifiable net assets at fair value		11,063

	<i>Notes</i>	<b>Fair value recognized on acquisition RMB'000</b>
Fair value of 30% equity interests held by the Group before the acquisition		(3,319)
Non-controlling interests		<u>(5,336)</u>
		<u>2,408</u>
Goodwill on acquisition		8,249
Fair value gains on prior investment		<u>(1,626)</u>
Satisfied by:		
Cash consideration paid during the year ended 31 December 2022		<u>10,657</u>
Total cash consideration		<u><u>10,657</u></u>

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

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

## **22. EVENTS AFTER 31 DECEMBER 2022**

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

## OTHER INFORMATION

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the year ended December 31, 2022, the Company repurchased a total of 15,381,000 Shares (the “**Shares Repurchased**”) on the Stock Exchange at an aggregate consideration (including transaction cost) of approximately HK\$35.5 million. 14,974,000 of the Shares Repurchased were subsequently cancelled and the remaining 407,000 of the Shares Repurchased have not yet been cancelled. The repurchase was effected because the Board considered that a share repurchase in the then conditions demonstrates the Company's confidence in its own business outlook and prospects and would, in the long term, benefit the Company and create value to the Shareholders.

Particulars of the Shares Repurchased in 2022 are as follows:

<b>Month of repurchase</b>	<b>No. of Shares repurchased</b>	<b>Highest price paid per Share (HK\$)</b>	<b>Lowest price paid per Share (HK\$)</b>	<b>Aggregate consideration (HK\$'000)</b>
January	1,100,500	6.35	5.71	6,800
April	2,773,500	2.81	2.03	6,939
May	524,500	2.21	2.01	1,091
August	157,500	2.13	2.05	330
September	1,554,500	2.20	1.74	3,134
October	2,231,000	1.80	1.53	3,757
November	5,565,000	1.98	1.68	10,233
December	1,474,500	2.88	1.79	3,232
<b>Total</b>	<b>15,381,000</b>	<b>6.35</b>	<b>1.53</b>	<b>35,517</b>

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) for the year ended December 31, 2022.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE 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 Company has applied the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules.

The Board is of the view that, during the Reporting Period, the Company has complied with the code provisions as set out in the CG Code, except for the deviation as explained below.

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

While this will constitute a deviation from 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 calibre 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 FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Group's code of conduct regarding the Directors' securities transactions. Having made specific enquiry of all the Directors, all the Directors confirmed that they have strictly complied with the Model Code during 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 during the Reporting Period after making reasonable enquiry.

## **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 of the date of this announcement, the Audit Committee consists of three members, namely Dr. Xia Xiping, Mr. Huang Zuie-Chin and Mr. Gu Huaming. Dr. Xia Xiping, 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 consolidated financial statements for the year ended December 31, 2022. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company with senior management members and the Company's auditor, Ernst & Young, Certified Public Accountants, and discussed matters with respect to internal controls with senior management members. Based on this review and discussions with the management and Ernst & Young, the Audit Committee was satisfied that the Group's consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the year ended December 31, 2022.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.kindstar.com.cn](http://www.kindstar.com.cn)). The annual report of the Company for the year ended December 31, 2022 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the same websites in due course.

By order of the Board  
**Kindstar Globalgene Technology, Inc.**  
康聖環球基因技術有限公司  
**HUANG Shiang**  
*Chairman*

Hong Kong, March 27, 2023

*As of the date of this announcement, the Board comprises Dr. HUANG Shiang, Mr. TU Zanbing and Ms. CHAI Haijie as executive Directors, Mr. HUANG Zuie-Chin, Mr. PENG Wei and Ms. HUANG Lu as non-executive Directors, and Dr. YAO Shanglong, Dr. XIA Xiping and Mr. GU Huaming as independent non-executive Directors.*