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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2023**

The board (the “**Board**”) of directors (the “**Directors**”) of Kindstar Globalgene Technology, Inc. (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended June 30, 2023 (the “**Reporting Period**”).

In this announcement, “we,” “us,” and “our” refer to the Company and where the context otherwise requires, the Group.

HIGHLIGHTS

Key Financial Data

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

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

Notes:

- (1) Includes hematology testing, neurology testing, maternity-related testing, genetic disease and rare disease testing, infectious disease testing, oncology testing, routine testing, CROs and R&D products and others.
- (2) Equals net income divided by revenue for the period and multiplied by 100%.

Revenue

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

Gross profit and gross profit margin

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

Net income and net margin

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

Key operating data

The following table sets forth the type of services, the average price and the number of tests we performed for non-COVID-19-related testing for the periods presented.

	For the six months ended June 30,			
	2023		2022	
	Average price (in RMB)	Testing volume (in thousands)	Average price (in RMB)	Testing volume (in thousands)
Hematology testing	733	405	703	395
Neurology testing	1,289	38	1,172	36
Maternity-related testing	134	194	156	160
Genetic disease and rare disease testing	272	85	278	82
Infectious disease testing	246	118	213	120
Oncology testing	1,476	17	998	7
Routine testing	69	416	67	523
Others	1,523	4	639	7
Total	380	1,276	331	1,330

During the Reporting Period, the testing volume of our specialty esoteric testing services increased compared to the corresponding period last year, and the average price of most of our specialty testing services further increased, which primarily benefited from 1) differentiated product positioning and increase in the proportion of self-developed and translational specialty esoteric testing items; 2) the gradual market recognition of professional, high-tech testing services and the gradual increase in penetration rate; and 3) the continuous optimization of product mix.

BUSINESS REVIEW AND OUTLOOK

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

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

Markets and Channels

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

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

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

Specialty Esoteric Testing Services

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

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

Esoteric Testing Reagents, CROs and Scientific Research Services

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

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

External Investment and M&A

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

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

Digitalization, Informatization and Artificial Intelligence

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Revenue

Based on the types of specialties and amount of revenue arising from specialty esoteric testing, we organize our businesses into ten segments, including hematology testing, genetic disease and rare disease testing, infectious disease testing, oncology testing, neurology testing, maternity-related testing, COVID-19-related testing, routine testing, CROs and R&D products and others.

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

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

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

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

Cost of Sales

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

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

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

Gross Profit, Gross Profit Margin and Segment Results

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

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

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

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

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

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

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

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

Other Income and Gains

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

Selling and Marketing Expenses

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

Administrative Expenses

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

Research and Development Costs

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

Other Expenses

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

Finance Costs

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

Income Tax Expense

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

Profit for the Period

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

Liquidity and Capital Resources

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

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

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

Cash and cash equivalents

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

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

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

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

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

Indebtedness

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

Gearing Ratio

As of June 30, 2023, our gearing ratio is calculated by dividing the total borrowings as shown in the consolidated balance sheet by the share capital and reserves attributable to the equity holder of the Company. As of June 30, 2023, the total borrowing is RMB194.9 million, total share capital and reserves attributable to the equity holder of the Company is RMB5,956.6 million, the gearing ratio is 3.3%.

Capital Expenditures

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

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

Contingent Liabilities

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

Significant Investments and Future Plans for Material Investments or Capital Assets

As of June 30, 2023, we did not hold any significant investment. In addition, save for the expansion plans as disclosed in the sections headed “Business” and “Future Plans and Use of Proceeds” in the prospectus of our Company dated June 29, 2021 (the “**Prospectus**”), we have no future plans for material investments or capital assets.

Material Acquisitions and Disposals

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

Charges on Group Assets

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

Interim Dividend

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

Employees

As of June 30, 2023, we had 3,214 employees in total and most of them were located in Hubei and Sichuan Provinces, as well as Beijing and Shanghai. We conduct new staff training regularly to guide new employees and help them adapt to the new working environment. In addition, we provide online and in-person comprehensive and formal company-level and department-level training to our employees on a quarterly basis in addition to on-the-job training. We also encourage our employees to attend external seminars and workshops to enrich their technical knowledge and develop competencies and skills, and provide training and development programs as well as external training sessions to our employees from time to time to improve their technical skills and ensure their awareness and compliance with our various policies and procedures.

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

The Company adopted the pre-IPO stock incentive plans on March 14, 2013, December 20, 2015 and December 1, 2016, respectively. As of June 30, 2023, options to subscribe for 10,911,192 Shares, representing approximately 1.11% of the total issued share capital of the Company as of the date of this announcement, were outstanding and held by the grantees. On June 22, 2021, the Company also adopted the post-IPO restricted share unit scheme (the “**Post-IPO RSU Scheme**”) and post-IPO share option scheme (the “**Post-IPO Option Scheme**”), of which our employees are

eligible participants, effective upon the Listing Date. Details of the Post-IPO RSU Scheme and the Post-IPO Option Scheme are set out in the sections headed “Statutory and General Information – E. Post-IPO RSU Scheme” and “Statutory and General Information – F. Post-IPO Option Scheme” in Appendix IV to the Prospectus. As of June 30, 2023, no restricted share unit or option had been granted or agreed to be granted under the Post-IPO RSU Scheme or Post-IPO Option Scheme, respectively.

Significant Events After the Reporting Period

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

Use of Proceeds

The Shares were listed on the Main Board on July 16, 2021. A total of 226,405,000 new Shares were issued at HK\$9.78 each for a total of approximately HK\$2,214.0 million. The net proceeds (after deduction of underwriting commissions and other expenses paid and payable by the Company in connection with the Global Offering) raised during our Global Offering amounted to approximately HK\$2,053.6 million. There was no change in the intended use of net proceeds as previously disclosed in the Prospectus and the net proceeds from the Global Offering had been utilized in accordance with the purposes set out in the Prospectus since the Listing Date and up to the date of this announcement.

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

Intended use of proceeds	Percentage of intended use of proceeds	Intended use of proceeds from the Global Offering	Actual usage up to June 30, 2023	Unutilized net proceeds as of June 30, 2023	Timeframe for the unused balance
Sales and marketing of our existing esoteric testing service lines to cover more hospitals, especially Class III hospitals					
Sales, marketing and expansion of hematology testing business	15	308.0	93.5	214.5	By June 30, 2025
Sales, marketing and expansion of genetic diseases and rare diseases and maternity-related testing business	10	205.4	40.5	164.9	By June 30, 2025
Sales, marketing and expansion of oncology, infectious disease and neurology testing businesses	10	205.4	62.3	143.1	By June 30, 2025

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

Note:

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

ROUNDING

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.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	<i>Notes</i>	For the six months ended 30 June 2023 RMB'000 (Unaudited)	For the six months ended 30 June 2022 RMB'000 (Unaudited)
REVENUE	4	492,760	659,482
Cost of sales		<u>(248,840)</u>	<u>(360,826)</u>
Gross profit		243,920	298,656
Other income and gains		81,179	49,329
Selling and marketing expenses		(159,588)	(165,486)
Administrative expenses		(49,250)	(38,829)
Research and development costs		(52,784)	(44,760)
Other expenses		(13,528)	(25,768)
Finance costs		(3,249)	(411)
PROFIT BEFORE TAX		46,700	72,731
Income tax expense	6	<u>(3,212)</u>	<u>(9,502)</u>
PROFIT FOR THE PERIOD		<u>43,488</u>	<u>63,229</u>
Attributable to:			
Owners of the parent		43,982	62,536
Non-controlling interests		<u>(494)</u>	<u>693</u>
		<u>43,488</u>	<u>63,229</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive expense that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the financial statements of subsidiaries		<u>–</u>	<u>(58,448)</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>53,239</u>	<u>123,719</u>
Other comprehensive income for the period, net of tax		<u>53,239</u>	<u>65,271</u>

		For the six months ended 30 June 2023 RMB'000 (Unaudited)	For the six months ended 30 June 2022 RMB'000 (Unaudited)
Total comprehensive income for the period, net of tax		96,727	128,500
Attributable to:			
Owners of the parent		97,221	127,807
Non-controlling interests		(494)	693
		96,727	128,500
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)			
– For profit for the period	7	5 cents	7 cents
Diluted (RMB)			
– For profit for the period	7	5 cents	6 cents

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	<i>Notes</i>	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	432,803	378,718
Right-of-use assets		41,622	20,598
Prepayments, deposits and other receivables	10	8,269	33,757
Other intangible assets		33,249	32,741
Time deposits	11	90,000	225,000
Investments in associates		6,172	6,520
Deferred tax assets		60,757	52,007
Financial assets at FVTPL	12	229,883	216,764
Goodwill		10,439	10,439
Total non-current assets		913,194	976,544
CURRENT ASSETS			
Inventories		51,528	58,685
Trade and bills receivables	9	588,447	633,853
Prepayments, deposits and other receivables	10	55,367	48,134
Amounts due from related parties		5,397	1,143
Financial assets at FVTPL	12	–	49,197
Time deposits (more than 3 months)	11	950,422	1,271,836
Pledged deposits		4,152	5,593
Cash and cash equivalents		1,204,663	680,359
Total current assets		2,859,976	2,748,800
CURRENT LIABILITIES			
Trade and bills payables	13	232,933	299,513
Other payables and accruals	14	311,023	320,355
Contract liabilities		11,013	11,793
Interest-bearing bank borrowings		194,900	180,000
Profit tax payable		2,710	1,579
Amounts due to related parties		27,598	25,546
Lease liabilities		10,446	10,998
Deferred tax liabilities		7,673	5,350
Contingent consideration		2,232	6,419
Total current liabilities		800,528	861,553
NET CURRENT ASSETS		2,059,448	1,887,247
TOTAL ASSETS LESS CURRENT LIABILITIES		2,972,642	2,863,791

		30 June 2023	31 December 2022
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Deferred income		1,451	1,199
Lease liabilities		<u>30,695</u>	<u>8,863</u>
Total non-current liabilities		<u>32,146</u>	<u>10,062</u>
Net assets		<u>2,940,496</u>	<u>2,853,729</u>
DEFICIENCY IN EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>15</i>	1,548	1,556
Treasury shares	<i>15</i>	48	43
Reserves		<u>2,911,453</u>	<u>2,824,919</u>
		2,913,049	2,826,518
Non-controlling interests		<u>27,447</u>	<u>27,211</u>
Total equity		<u>2,940,496</u>	<u>2,853,729</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION—*EY*

1. CORPORATE INFORMATION

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

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

2.1 BASIS OF PREPARATION

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

3. OPERATING SEGMENT INFORMATION

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

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

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

For the six months ended 30 June 2023
(Unaudited)

Segments	Hematology Testing <i>RMB'000</i>	Genetic diseases and rare diseases <i>RMB'000</i>	Infectious diseases <i>RMB'000</i>	Oncology <i>RMB'000</i>	Neurology <i>RMB'000</i>	Maternity- related diseases <i>RMB'000</i>	COVID-19 related testing <i>RMB'000</i>	Routine testing <i>RMB'000</i>	CROs and R&D project <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:											
Sales to external customers	296,858	23,082	28,928	25,147	48,960	26,002	7,929	28,753	6,553	548	492,760
Segment results:	<u>67,636</u>	<u>2,810</u>	<u>4,204</u>	<u>3,111</u>	<u>6,727</u>	<u>168</u>	<u>271</u>	<u>264</u>	<u>836</u>	<u>(1,695)</u>	<u>84,332</u>
Reconciliation:											
Other income and gains											81,179
Administrative expenses											(49,250)
Research and development costs											(52,784)
Other expenses											(13,528)
Finance costs											(3,249)
Group's profit before tax											<u>46,700</u>

For the six months ended 30 June 2022
(Unaudited)

Segments	Hematology Testing <i>RMB'000</i>	Genetic diseases and rare diseases <i>RMB'000</i>	Infectious diseases <i>RMB'000</i>	Oncology <i>RMB'000</i>	Neurology <i>RMB'000</i>	Maternity- related diseases <i>RMB'000</i>	COVID-19 related testing <i>RMB'000</i>	Routine testing <i>RMB'000</i>	CROs and R&D project <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:											
Sales to external customers	278,768	22,697	26,354	7,245	42,538	25,269	215,459	35,114	4,683	1,355	659,482
Segment results:	<u>87,568</u>	<u>2,518</u>	<u>5,478</u>	<u>810</u>	<u>7,017</u>	<u>1,370</u>	<u>26,686</u>	<u>833</u>	<u>1,181</u>	<u>(291)</u>	<u>133,170</u>
Reconciliation:											
Other income and gains											49,329
Administrative expenses											(38,829)
Research and development costs											(44,760)
Other expenses											(25,768)
Finance costs											(411)
Group's profit before tax											<u>72,731</u>

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*

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

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

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

6. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains.

Singapore

No provision for Singapore profits tax has been made as the Group had no operating activity in Singapore during the reporting periods. The subsidiary incorporated in Singapore was subject to income tax at the rate of 17% on the estimated assessable profits arising in Singapore during the reporting periods.

Hong Kong

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the reporting periods. The subsidiary which operates in Hong Kong at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period.

Mainland China

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

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

Notes:

- (1) In 2016, Wuhan Kindstar was accredited as a “High and New Technology Enterprise”(“HNTTE”) for a period of three years from 2016 to November 2018. Wuhan Kindstar subsequently renewed its HNTTE qualification in 2019 and is entitled to a preferential CIT rate of 15% from 2019 to 2022 and 2022 to 2025. This qualification is subject to review by the relevant tax authority in the PRC for every three years.
- (2) In 2014, Beijing Hightrust was accredited as a HNTTE for a period of three years from 2014 to 2016. Beijing Hightrust subsequently renewed its HNTTE qualification in 2017 and 2020, and was entitled to a preferential CIT rate of 15% from 2017 to 2020 and 2020 to 2023, respectively. This qualification is subject to review by the relevant tax authority in the PRC for every three years.
- (3) Shanghai SimpleGene was accredited as a HNTTE in 2019 and therefore Shanghai SimpleGene was entitled to a preferential CIT rate of 15% from Year 2019 to 2022 and 2022 to 2025. This qualification is subject to review by the relevant tax authority in the PRC for every three years.
- (4) Under the policies for the Grand Western Development Program, the Group’s subsidiaries incorporated in Western China (Xinjiang Kindstar, Huaxi Kindstar, Chengdu Shengyuan and Wenjiang Kangshenyou) were subject to corporate tax at 15% in the year 2021. The rate applied to companies located in Western China which engaged in the encouraged industries listed in the Grand Western Development Program. This policies shall be effective during 2019 to 2031.
- (5) Wenjiang Kangshenyou is qualified as small-scaled minimal profit enterprises. Pursuant to Caishui [2019] circular No.13, the first RMB1,000,000 of assessable profits of these subsidiaries may be calculated as 25% and be taxed at the preferential CIT rate of 20%. The assessable profits between RMB1,000,000 and RMB3,000,000 may be calculated as 50% and be taxed at the preferential CIT rate of 20%. The policy is available during 2019 to 2031.
- (6) SinoPath was accredited as a HNTTE in 2022 and therefore SinoPath was entitled to a preferential CIT rate of 15% from Year 2022 to 2024. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

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

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

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 961,501,284 (2022: 940,198,866) in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the exercise of certain batch of share options. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period ended 30 June 2022 and 2023, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of basic profit per share is based on:

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

8. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>RMB'000</i>	Laboratory equipment <i>RMB'000</i>	Transportation equipment <i>RMB'000</i>	Other equipment <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
30 June 2023(Unaudited)							
At 1 January 2023							
Cost	232,154	254,046	6,551	36,585	114,655	5,096	649,087
Accumulated depreciation	(5,931)	(177,131)	(3,922)	(22,398)	(60,987)	-	(270,369)
Net carrying amount	<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 1 January 2023, net of accumulated depreciation							
Additions	-	42,976	267	3,214	1,606	35,095	83,158
Transfer	-	-	-	-	1,706	(1,706)	-
Disposals	-	(3,420)	(11)	(31)	(420)	-	(3,882)
Acquisition of a subsidiary	-	-	-	-	-	-	-
Depreciation provided during the period	(2,653)	(13,671)	(367)	(2,502)	(5,998)	-	(25,191)
At 30 June 2023, net of accumulated depreciation	<u>223,570</u>	<u>102,800</u>	<u>2,518</u>	<u>14,868</u>	<u>50,562</u>	<u>38,485</u>	<u>432,803</u>
At 30 June 2023:							
Cost	232,154	291,941	6,600	39,353	117,547	38,485	726,080
Accumulated depreciation	(8,584)	(189,141)	(4,082)	(24,485)	(66,985)	-	(293,277)
Net carrying amount	<u>223,570</u>	<u>102,800</u>	<u>2,518</u>	<u>14,868</u>	<u>50,562</u>	<u>38,485</u>	<u>432,803</u>

	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
30 June 2022(Unaudited)							
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	-	21,012	586	3,345	12,815	10	37,768
Transfer	-	-	-	-	4,529	(4,529)	-
Disposals	-	(5,480)	(7)	(208)	-	(148)	(5,843)
Acquisition of a subsidiary	-	39	-	24	260	-	323
Depreciation provided during the period	(2,518)	(11,581)	(294)	(2,573)	(5,497)	-	(22,463)
At 30 June 2022, net of accumulated depreciation	<u>216,651</u>	<u>74,239</u>	<u>2,299</u>	<u>14,767</u>	<u>56,574</u>	<u>157</u>	<u>364,687</u>
At 30 June 2022:							
Cost	219,996	228,176	6,186	35,831	111,640	157	601,986
Accumulated depreciation	(3,345)	(153,937)	(3,887)	(21,064)	(55,066)	-	(237,299)
Net carrying amount	<u>216,651</u>	<u>74,239</u>	<u>2,299</u>	<u>14,767</u>	<u>56,574</u>	<u>157</u>	<u>364,687</u>

9. TRADE AND BILLS RECEIVABLES

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

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

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

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

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

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

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.

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

Analysed into:

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

The balances are not secured by collateral.

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

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

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

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

11. TIME DEPOSITS

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

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

12. FINANCIAL ASSETS AT FVTPL

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

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

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

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

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

13. TRADE AND BILLS PAYABLES

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

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

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

14. OTHER PAYABLES AND ACCRUALS

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

15. SHARE CAPITAL/TREASURY SHARES

Issued and fully paid

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

Share Capital

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

Treasury Shares

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

Notes:

- i. Pursuant to the board resolution passed on 5 November 2021, the Company announced to exercise its power under the repurchase mandate to repurchase shares of the Company. A total of 7,909,000 shares were repurchased by the Company at a total consideration of HK\$15,986,000 (equivalent to approximately RMB14,217,000) during the six months ended 30 June 2023.
- ii. Pursuant to the board resolution passed on 22 June 2021, as disclosed in the Prospectus, according to the rules of the Post-IPO RSU Scheme, the Company may, among others, transfer to the RSU Trustee the necessary funds and instruct the RSU Trustee to acquire Shares through on market transactions at the prevailing market price, so as to satisfy the Awards. A total of 2,395,000 shares were repurchased by the Company at a total consideration of HK\$5,478,000 (equivalent to approximately RMB4,828,000) during the six months ended 30 June 2023.

16. STOCK INCENTIVE PLANS

i. Pre-IPO Stock Incentive Plans

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

Details of Pre-IPO Scheme granted are as follows:

Grant date	Number of options	Expiry date	Exercise price per share	Notes
15 March 2013	4,576,229	14 March 2023	\$0.03	(i)
31 December 2013	8,608,131	30 December 2023	\$0.03	(ii)
31 December 2015	15,813,456	30 December 2025	\$0.06	(ii)
31 December 2016	17,242,524	30 December 2026	\$0.09	(ii)

Notes:

- (i) 25%, 25%, 25% and 25% of the total number of the options granted shall vest on the first, second, third and fourth anniversary of vesting commencement date, respectively. All options has been exercised before 14 March 2023.
- (ii) 100% of the total number of the options granted shall vest immediately after grant date.

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

The following share options were outstanding during the reporting periods:

	30 June 2023		31 December 2022	
	Weighted average exercise price US\$ per share	Number of options '000	Weighted average exercise price US\$ per share	Number of options '000
At the beginning of period/year	4.32 cent	14,987,592	5.95 cent	114,985,256
Exercised during the period	4.26 cent	4,028,400	4.77 cent	99,997,664
At the end of period	4.08 cent	10,959,192	4.32 cent	14,987,592
Exercisable at the end of the period		10,959,192		14,987,592

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

ii. Post-IPO RSU Scheme

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

17. EVENTS AFTER THE REPORTING PERIOD

The Group has no material events after the reporting period.

OTHER INFORMATION

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

For the six months ended June 30, 2023, the Company repurchased a total of 5,514,000 Shares (the “**Shares Repurchased**”) on the Stock Exchange at an aggregate consideration (including transaction cost) of approximately HK\$10.5 million. 4,919,000 of the Shares Repurchased were subsequently cancelled and the remaining 595,000 of the Shares Repurchased have not been cancelled. The repurchase of shares was effected because the Board considered that a share repurchase in the then conditions demonstrated the Company's confidence in its own business outlook and prospects and would, in the long term, benefit the Company and create value to the Shareholders.

Particulars of the Shares Repurchased for the six months ended June 30, 2023 are as follows:

Month of repurchase	No. of Shares repurchased	Highest price paid per Share (HK\$)	Lowest price paid per Share (HK\$)	Aggregate consideration (HK\$'000)
January	895,000	2.82	2.31	2,328
March	324,000	2.02	1.88	637
April	1,420,000	2.09	1.73	2,704
May	1,057,500	1.85	1.59	1,845
June	1,817,500	1.86	1.48	2,963
Total	5,514,000	2.82	1.48	10,477

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

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 Board is of the view that, as of the date of this announcement, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "**CG Code**"), except for the deviation from code provision C.2.1 as explained below.

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

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

COMPLIANCE WITH THE MODEL CODE 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 of the date of this announcement, all the Directors have strictly complied with the Model Code.

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

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

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

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.kindstar.com.cn). The interim report of the Company for the six months ended June 30, 2023 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, August 18, 2023

As at 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 Xinping and Mr. GU Huaming as independent non-executive Directors.