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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)

SUPPLEMENTAL ANNOUNCEMENT TO CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 40% EQUITY INTEREST IN HUAXI KINDSTAR

Reference is made to the announcement of the Company dated November 25, 2025 (the “**Announcement**”) in relation to the acquisition of 40% equity interest in Huaxi Kindstar. Unless otherwise stated, capitalised terms used herein shall have the same meanings as defined in the Announcement. This announcement is made to provide further information on the connected transaction in relation to the acquisition of 40% equity interest in Huaxi Kindstar.

ASSUMPTIONS FOR QUANTITATIVE INDICATORS

Set out below are assumptions for quantitative indicators. The forecast period is set at 5 years, i.e., from 2025 to 2029. Earnings in subsequent years are expected to stabilize and are assumed to remain the same as in 2029 (the “**Stable Period**”).

Revenue Growth Rate

Huaxi Kindstar’s primary customers are partner hospitals and other third-party testing institutions, generating revenue by providing esoteric testing services such as blood and tumor testing. Huaxi Kindstar’s average annual revenue growth rate from 2020 to 2024 was approximately 5.45%. Due to the economic situation, revenue showed a declining trend in 2024. To cope with the challenges, in 2025, based on more prudent market forecasts, Huaxi Kindstar has adjusted its revenue targets downward and aims to increase revenue through enhanced promotional efforts and a higher proportion of self-testing. According to financial data for the first half of 2025, the revenue forecast achievement rate has already reached 48.95%. It is expected that the full-year projected growth will be approximately 8% (such projected growth rate is determined by reference to Huaxi Kindstar’s historical growth rate and the incremental forecasts for the new neurology specialty testing projects and scientific research projects launched in 2025). However, given that Huaxi Kindstar’s business is concentrated in Southwest China, where the demand in the local market tends to become saturated, and multiple uncertainties involve in the industry in general, it is expected that it will be hard to maintain a rapid growth from a long-term perspective. Together with intensifying market competition, the revenue growth rate is therefore projected to decline after 2026. Specifically, considering the future revenue projections for Huaxi Kindstar’s various business lines, the revenue growth rate is expected to gradually fall to a range of 4%-7% from 2026 to 2029. The decline in growth rate is mainly attributable to: (1) the exclusion of non-recurring research revenue in 2025: the revenue growth in 2025 includes contributions from non-recurring testing revenue generated from research collaborations, which is not sustainable in the long term.

Excluding this impact, the revenue growth rate of regular business in 2025 is approximately 5.5%, which is generally in line with the historical average annual growth rate (approximately 5.45% from 2020 to 2024); (2) the expected growth of the third-party medical testing industry: according to industry reports from Frost & Sullivan, the third-party medical testing market is expected to enter a stage of steady growth from 2026 to 2030. As a regional leader, Huaxi Kindstar is expected to grow at a rate slightly lower than the national average, mainly because its business is concentrated in Southwest China and its market penetration rate is already high; and (3) external policy impact and internal business structure optimization: external medical insurance cost control will result in a continuous decline in industry revenue. Huaxi Kindstar intends to offset the impact of the decline in routine testing prices by increasing the proportion of esoteric testing items (such as high value-added tests for tumors, genetic diseases, and blood diseases), with a view to driving the moderate growth in overall revenue.

Major Costs and Expense Changes

Operating costs consist of costs of main business operations, including labor costs, rent, reagents, testing fees, consulting service fees, and depreciation and amortization. Administrative expenses mainly include labor costs, rent, and depreciation and amortization. Sales expenses primarily include labor costs, travel expenses, depreciation charge, business entertainment expenses, and conference fees, etc. From 2025 to 2029, labor costs are projected based on the number of employees and expected wage levels (the number of employees is projected based on the number at the end of 2024, taking into account the expected annual growth rate ranging from 4% to 8% in revenue scale from 2025 to 2029 and actual business needs. Additionally, future wage levels are estimated based on the average social wage standards published by the Department of Human Resources and Social Security of Sichuan Province and taking into account Huaxi Kindstar's current wage situation); depreciation and amortization are projected according to existing assets and planned annual additions; rent is projected based on leased premises and lease contracts. Among other expenses: (i) variable expenses directly linked to sales volume (e.g., reagents and consumables) are projected based on their historical proportion of Huaxi Kindstar's revenue; (ii) fixed expenses (e.g., rent and administrative office expenses), given their relative stability, are forecasted based on 2025 budget data and absolute values; (iii) semi-variable expenses (such as travel expenses and conference fees), though not linearly related to sales volume, increase correspondingly with the growth of sales volume; based on the level of historical data, a certain incremental forecast has been made for them.

Gross Profit Margin

Based on the growth of revenue and the control of costs of main business operations (including the improvement of laboratory production capacity, etc.) of each year, the projected gross profit for Huaxi Kindstar from 2025 to 2029 is as follows.

Given that the industry's revenue scale, production structure and business model are relatively stable, and the expected gross profit margin of approximately 39.9% in 2025, the gross profit margin will experience minimal changes from 2025 to 2029. Furthermore, considering the enhancement of laboratory capabilities, the projected gross profit margins up to 2029 are shown in the table below:

Unit: RMB0'000

	2025	2026	2027	2028	2029	Stable Period
Gross Profit	2,210.3	2,175.61	2,429.57	2,563.9	2,775.9	2,775.9
Gross Profit Margin	39.90%	37.76% ^{Note}	39.81%	39.87%	40.41%	40.41%

Note: In 2026, due to the planned launch of new specialized testing services, new testing platform(s) will be established. The upfront investment costs result in a slightly lower expected gross profit margin for 2026.

Capital Expenditure Plan

The following projected capital expenditures in this valuation have taken into account the capital investments necessary for supporting new business operations, as well as the annual routine expenditures for renovation and upgrading related to the scale and usage status of the existing fixed assets. These expenditures on renovation and upgrading are linked to the scale and usage status of the existing fixed assets, representing the renovation investment expenditures required to support future production and operational capacity, i.e., using recovered depreciation to sustain simple reproduction.

From 2025 to 2029, the capital expenditures of Huaxi Kindstar are projected to be RMB5.7029 million, RMB3.2278 million, RMB2.8881 million, RMB3.0125 million, and RMB2.4335 million, respectively, and the projected capital expenditures of the Stable Period are RMB2.4053 million. Since capital expenditures for new production capacity are relatively high in 2025, additional purchases from 2026 to 2029 will be relatively modest based on production requirements. The anticipated additions or upgrades to assets and equipment will mainly target commonly used laboratory instruments and equipment, such as PCR amplifiers and slide scanners.

KEY INPUTS AND THEIR DETERMINATION METHODS AND CALCULATION METHODS

Set out below are the key inputs, along with their determination methods and calculation methods:

1. **Terminal Growth Rate:** Based on the balance sheets, profit or loss statements, and internal management reports for 2020-2024 provided by Huaxi Kindstar's management, as well as the forecasts for sales revenue, costs, expenses, net profit, and capital expenditures for the five years following the Valuation Base Date, Huaxi Kindstar is operating normally, and its operational condition is relatively stable. Therefore, the forecast period for this valuation is set at 5 years, i.e., from 2025 to 2029. Earnings in subsequent years are expected to stabilize and are assumed to remain the same as in 2029 (i.e., the terminal growth rate is 0).
2. **Determination of the Discount Rate:** The discount rate for this valuation is determined using the Weighted Average Cost of Capital (WACC), which is the expected total investment return rate. It is the weighted average of the expected return on equity and the post-tax return on debt.

The return on equity is determined using the Capital Asset Pricing Model (CAPM). The calculation formula is: $Re = Rf + \beta \times MRP + Rs$ (Where: Re is the return on equity; Rf is the risk-free rate; β is the Beta coefficient; MRP is the market risk premium (determined in this valuation based on the equity risk premium (ERP)); Rs is the company-specific risk adjustment factor).

(1) Determination of the Risk-Free Rate (R_f)

This valuation uses the yield to maturity of government bonds with a term of over 10 years as of the Valuation Base Date as the risk-free rate. Based on information disclosed by the Eastmoney (東方財富) Choice data system, this rate is 2.10%.

(2) Determination of the Beta Coefficient (β)

This valuation determines the β value of 1.0049, which is calculated by the β calculator published on the Eastmoney data terminal, using the five-year monthly return rate of the diagnostic services industry.

(3) Determination of the Equity Risk Premium (ERP)

The Valuer calculated the ERP as follows: (i) identifying an index to measure the overall movement of the stock market (the CSI 300 Index was ultimately selected following comparative analysis); (ii) selecting the return calculation period (considering the characteristics of stock volatility in the Chinese market, a 10-year interval was chosen as the calculation period for the ERP, meaning the investment return rate for each constituent stock was calculated as its ten-year average return to serve as its potential expected future return); (iii) determining the index constituent stocks; (iv) collecting the year-end closing prices for each constituent stock using the Wind Information data system (as constituent stock returns should include income from annual dividends, distributions, etc., the closing prices used herein are the year-end “adjusted” prices); (v) calculating annualized return using both arithmetic and geometric averages; (vi) estimating the annual risk-free rate by using the yield to maturity of government bonds with a remaining term to maturity of more than 10 years at the end of each year as the risk-free rate; (vii) drawing estimation conclusion: calculated first the arithmetic or geometric average of the annual returns of the CSI 300 Index constituent stocks, and then used the average return of the 300 stocks as the ERP conclusion for this year’s arithmetic or geometric average calculation. This average was calculated using the weighted-average method, with the weights being the respective weights of each constituent stock in the CSI 300 Index calculation. This yielded an equity risk premium (ERP) of 6.75%.

(4) Determination of the Company-Specific Risk Adjustment Factor (R_s)

(i) Identification of comparable listed companies

Based on the industry in which Huaxi Kindstar operates, and through analysis of indicators such as whether each company is listed, its listing date, and financial data over the past three years, Guangzhou Kingmed Diagnostics Group Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 603882), Dian Diagnostics Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 300244) and Beijing Strong Biotechnologies, Inc. (a company listed on the Shenzhen Stock Exchange, stock code: 300406) were selected as comparable listed companies.

(ii) Specific values for Rs:

Serial No.	Item	Description	Range of Values ^{Note 1} (%)	Value ^{Note 1} (%)	Remarks (vs comparable companies)
1	Operational stage of the enterprise	The enterprise is in a stable operational stage	0-0.5	0.1	The enterprise was established in 2017 and has been in operation for over 7 years as of the Valuation Base Date, and its management systems are relatively mature, thus posing a relatively low risk.
2	Historical operating performance	The enterprise's operating performance is unstable	0-0.5	0.25	From 2020 to the Valuation Base Date, the appraised entity's revenue and net profit increased initially and then declined amid intense market competition, thus posing a relatively high risk.
3	Raw material supply	The risk related to raw material supply is moderate	0-0.5	0.15	The appraised entity relies on its parent company for centralized procurement of raw materials, thus posing a moderate risk.
4	Continuity of the enterprise's business in the market	The continuity of the business market is relatively good	0-0.5	0.1	The appraised entity has a relatively stable client base and engages in differentiated competition through, among other things, value-added services, thus posing a relatively low risk.
5	Distribution of the enterprise's business operations, services and regions	Business operations are concentrated in Southwest China, primarily within Sichuan Province	0-0.5	0.25	The appraised entity's operations are concentrated in Southwest China. Increased market competition in this area could pose a significant risk.
6	Corporate governance risk	The enterprise's internal management and control mechanisms are relatively sound	0-0.5	0.1	The enterprise, relying on the Kindstar Group, adopts governance standards applicable to listed companies, thus posing a relatively low risk.

Serial No.	Item	Description	Range of Values ^{Note 1} (%)	Value ^{Note 1} (%)	Remarks (vs comparable companies)
7	Manager-specific risk	The enterprise has relatively low staff turnover	0-0.5	0.1	Experienced managers are often capable of making sound decisions and holding a favorable position in complex market competition. Particularly for companies that rely heavily on influential individuals, their development frequently depends on these key individuals. Any issues affecting such individuals, such as illness or death, could significantly impact the operations of such companies, thereby giving rise to manager-specific risk. The core personnel of the appraised entity are relatively stable, posing a relatively low manager-specific risk.
8	Special risk of excessive client concentration	The major clients are relatively stable	0-0.5	0.15	Client concentration means that, compared with peer companies, the appraised entity has an excessive reliance on one or a few clients. Given such high client concentration, any default or issue arising from these clients will directly exert a significant impact on the operations of the appraised entity. The appraised entity has a relatively stable client base, with West China Hospital accounting for a moderate proportion, posing a moderate risk.
Total			1.2		

Note 1: Rs was determined through a comprehensive analysis of multiple factors. The enterprise-specific risks were broken down into eight dimensions, including the operational stage and historical operating performance. Based on the Valuer's professional judgment, a corresponding risk-adjusted value was assigned to each dimension. The maximum risk-adjusted value for each individual risk factor is 0.5%, and the total for all eight items is 4%, which, with reference to market cases, is within the reasonable range of Rs for non-listed companies. Furthermore, by comprehensively considering the circumstances of Huaxi Kindstar and the comparable companies, along with the Valuer's professional judgment, the final value for Rs was determined to be 1.2%.

Based on the aforementioned analysis and considering the potential entity-specific risks arising from differences between Huaxi Kindstar and the comparable listed companies in the aforementioned aspects, the company-specific risk adjustment factor (Rs) is set at 1.20%.

The return on debt is effectively the expected investment return rate for the creditors of the appraised entity. Given that the return on debt should adopt a compound interest form expressed as the yield to maturity, and when using the full investment cash flow model and selecting the industry's optimal capital structure to estimate WACC, the return on debt (Rd) should select the best Rd available in that industry. Therefore, the yield to maturity of corporate bonds in the same industry and with the same risk level as the target company is generally used as the return on debt indicator. This valuation uses the one-year loan interest rate of 3.10% of the appraised entity as of the Base Date as the return on debt.

Based on the circumstances of the appraised entity, the ratio of interest-bearing liabilities at the Valuation Base Date is zero, and the enterprise has ample liquidity with no plans for future borrowings. Therefore, interest-bearing liabilities is not considered for the future.

The Weighted Average Cost of Capital is calculated using the following formula:

$$WACC = R_e \frac{E}{D + E} + R_d \frac{D}{D + E} (1 - T)$$

Where: WACC is the weighted average cost of capital; E is the equity value; Re is the return on equity; D is the value of interest-bearing debt; Rd is the return on debt; and T is the corporate income tax rate.

Based on the above calculations, the weighted average cost of capital for the appraised entity, assuming a corporate income tax rate of 15%, is 10.08%. We use this as the discount rate for the appraised entity.

3. Derivation of the Income Approach Calculation Results:

(1) Value of Operating Assets

Through analysis and calculation by the Valuer, the value of the operating assets is RMB28.7781 million.

(2) Value of Surplus Assets

Surplus assets refer to assets that exceed the enterprise's production and operation needs as of the Valuation Base Date and are not involved in the forecast of the enterprise's free cash flow after the Valuation Base Date. Through analysis and verification by the Valuer, the appraised value of the enterprise's surplus assets as of the Valuation Base Date is RMB5.1257 million (primarily consisting of time deposits).

(3) Value of Non-Operating Assets and Liabilities

Upon verification, the appraised value of the non-operating assets and liabilities in this valuation is RMB-2.9144 million. Non-operating assets include other receivables generated from non-operating activities and idle fixed assets, and non-operating liabilities refer to dividends payable. Idle fixed assets refer to fixed assets that have been acquired and accounted for, but are not currently in use or have not been put into operation, and are not expected to be used in the near future.

(4) Value of Interest-Bearing Debt

The appraised entity has no interest-bearing liabilities.

Total Shareholders' Equity Value = Value of Operating Assets + Value of Surplus Assets + Value of Non-Operating Assets and Liabilities – Value of Interest-Bearing Debt = RMB28.7781 million + RMB5.1257 million – RMB2.9144 million – 0 = RMB30.9900 million (rounded).

OPINIONS OF THE BOARD REGARDING THE VALUATION

Given that (i) the Valuer possesses extensive experience in China; (ii) the methodology adopted for the valuation is a commonly used valuation approach for comparable enterprises; (iii) the work undertaken by the Valuer (including but not limited to public searches, interviews and on-site investigations) conforms to market practice in China; (iv) the assumptions and key parameters adopted in the valuation are reasonable; and (v) as disclosed in the Announcement, the Reporting Accountants have confirmed that, so far as the arithmetical accuracy of the calculations of the Profit Forecast is concerned, the Profit Forecast has been properly compiled in all material respects in accordance with the assumptions adopted by the Directors. Therefore, the Directors are of the view that the consideration for the Acquisition is fair and reasonable, on normal commercial terms, and in the interest of the Company and its shareholders as a whole.

OTHER SUPPLEMENTAL INFORMATION

A. Reasons for the decline in profit before tax for Huaxi Kindstar from the first half of 2024 to the full year of 2024 are as follows:

	First Half of 2024 (RMB)	Second Half of 2024 (RMB)	Full Year of 2024 (RMB)
Revenue	28,775,016	22,400,999	51,176,015
Gross profit	12,842,024	9,207,300	22,049,324
Gross profit margin	44.6%	41.1%	43.1%
Profit before tax	4,196,880	-2,340,511	1,856,369
Profit margin before tax	14.6%	-10.4%	3.6%

In the second half of 2024, intensified market competition within the industry, coupled with the impact of regulatory policies, led to a decline in revenue for Huaxi Kindstar. Revenue for the second half of 2024 was RMB22.4 million, representing a decrease of RMB6.4 million compared to revenue of RMB28.8 million for the first half of 2024. The decrease in revenue directly resulted in a gross profit reduction of RMB3.63 million for the second half of the year, which subsequently affected profit before tax for the full year of 2024.

In addition, the increase in expenses for the second half of 2024 also had an impact on the profit before tax for the full year of 2024: (1) Due to market conditions, promotional conferences were concentrated in the second half of the year. Expenses for the sales department and market conferences in the first half of 2024 were RMB0.06 million, while these expenses increased to RMB1.39 million in the second half. The increase in expenses also adversely affected profit before tax for the full year of 2024. (2) In the second half of 2024, in accordance with the budget plan formulated at the beginning of the year, employees achieved their KPI assessment targets. Consequently, an annual year-end bonus was accrued during the second half of the year.

- B. Reasons for the significant growth in profit before tax for Huaxi Kindstar from the full year of 2024 to the first half of 2025 are as follows:
1. Recovery in Market Demand: In the first half of 2025, overall industry demand recovered. Leveraging its brand strength and product competitiveness, Huaxi Kindstar achieved restorative growth in sales revenue. Revenue in the first half of 2025 reached RMB26.7 million, representing an increase of RMB4.3 million compared to the second half of 2024, thereby driving a significant improvement in profit before tax for the first half of 2025.
 2. Effectiveness of Cost Control Measures: Huaxi Kindstar implemented a series of cost control measures in the first half of 2025, such as optimizing production processes, improving production efficiency, and strengthening supply chain management. These measures began to show results in the first half of 2025, reducing unit costs and enhancing profitability.
- C. Reasons for the significant decrease in profit after tax compared to profit before tax for Huaxi Kindstar in the first half of 2024 are as follows:

For its quarterly prepayments of corporate income tax in 2023, Huaxi Kindstar met the criteria for a small and low-profit enterprise (i.e., total profit not exceeding RMB3 million, total assets not exceeding RMB50 million, and number of employees not exceeding 300) and enjoyed the corresponding preferential tax policies for its prepayment declarations. However, during the annual corporate income tax reconciliation in May 2024, after making tax adjustments, the taxable income of Huaxi Kindstar exceeded RMB3 million, and thus Huaxi Kindstar no longer met the criteria for classification as a small and low-profit enterprise. Consequently, an adjustment to the previously prepaid tax was required, and Huaxi Kindstar was required to make an additional corporate income tax payment for 2023. This adjustment significantly increased the actual income tax expense for the first half of 2024, leading to a substantial decrease in net profit.

Save for the above supplementary information, all other information as set out in the Announcement remains unchanged. This announcement should be read in conjunction with the Announcement.

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, January 7, 2026

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 Xinping and Mr. Gu Huaming as independent non-executive Directors.