Kindstar Globalgene Technology, Inc.
康聖環球基因技術有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9960)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

The board (the "**Board**") of directors (the "**Directors**") of Kindstar Globalgene Technology, Inc. (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2021, together with the comparative figures for the year ended December 31, 2020. The Group's consolidated financial statements have been reviewed by the Company's Audit Committee (the "**Audit Committee**") and its auditor, Ernst & Young, Certified Public Accountants.

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

FINANCIAL HIGHLIGHTS

	For the year ended December 31,		
	2021	2020	Year-on-year change
	RMB'000	*RMB'000*	*%*
Revenue	**930,673**	891,391	4.4
– Non-COVID-19-related testing[(1)]	**868,569**	773,540	12.3
– COVID-19-related testing	**62,104**	117,851	(47.3)
Gross profit	**485,770**	460,981	5.4
Gross margin	**52.2%**	51.7%	0.5
Segment result[(2)] – non-COVID-19-related testing	**197,183**	167,852	17.5
Segment result – COVID-19-related testing	**6,347**	44,608	(85.8)
Adjusted net income[(3)]	**81,055**	91,979	(11.9)
Adjusted net margin[(4)]	**8.7%**	10.3%	(1.6)

Notes:

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

(2) Segment result is profit before tax except that other income and gains, administrative expenses, research and development costs, other expenses, finance costs, listing expenses and fair value loss on financial liabilities at FVTPL are excluded.

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

(4) Equals adjusted net income divided by revenue for the year and multiplied by 100%.

Revenue

For the year ended December 31, 2021, we recorded a total revenue of RMB930.7 million, representing an increase of RMB39.3 million or 4.4% from RMB891.4 million for the year ended December 31, 2020. Among which, revenue generated from non-COVID-19-related testing and COVID-19-related testing for the year ended December 31, 2021 were RMB868.6 million and RMB62.1 million respectively, representing year-on-year changes of 12.3% and -47.3% respectively. As a result of the effective control of the COVID-19 pandemic in China, we focused more on non-COVID-19-related testing. Hence, revenue generated from COVID-19-related testing services as a proportion of our total revenue recorded a year-on-year decrease. In contrast, revenue generated from non-COVID-19-related testing services recorded a stable year-on-year growth despite continuous impact of the COVID-19 pandemic.

Gross profit and gross profit margin

For the year ended December 31, 2021, we recorded a consolidated gross profit of RMB485.8 million, representing a year-on-year increase of 5.4%. Our consolidated gross profit margin for the year ended December 31, 2021 was 52.2%, representing a year-on-year increase of 0.5%, of which the gross profit and gross profit margin of COVID-19-related testing services were RMB22.0 million and 35.4% respectively, representing a year-on-year decrease of 62.3% and 14.1% respectively; and the gross profit and gross profit margin of non-COVID-19-related testing services were RMB463.8 million and 53.4%, respectively, representing a year-on-year increase of 15.2% and 1.3%, respectively.

The above year-on-year changes in our gross profit and gross profit margin for the year ended December 31, 2021 were primarily due to (i) the significant retreat of COVID-19 pandemic in China, especially Wuhan region; (ii) the lower item price for COVID-19-related testing because of the increase of COVID-19 testing capacity and improvement of technologies across China; (iii) our focus on improving management and operation efficiency and non-COVID-19-related testing's the economies of scale and synergy; and (iv) the enlargement of business operation sites and purchase of new testing equipments and laboratories to expand our laboratory testing capacity after our successful Listing. As a result, our fixed costs increased and partially offset the increase in gross profit from the growth of sales.

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

For the year ended December 31, 2021, our adjusted net income amounted to RMB81.1 million, representing a decrease of RMB10.9 million or 11.9% as compared with RMB92.0 million for the year ended December 31, 2020. During the reporting period, our adjusted net margin decreased from 10.3% to 8.7%, which was mainly due to (i) our investment in exploration of esoteric testing in potential specialties; (ii) a year-on-year increase of 20.0% in our research and development ("**R&D**") costs; and (iii) our focus on non-COVID-19-related testing services with high entry barrier in 2021, which lowered the proportion of COVID-19-related testing services in our total revenue and profit. Excluding the COVID-19-related testing services, the segment results of non-COVID-19-related testing services for the reporting period increased by 17.5% as compared with the corresponding period of 2020. For details, please refer to the operating segment results in note 3 to the consolidated financial statements.

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

BUSINESS REVIEW AND OUTLOOK

Review of Existing Business Segments

As one of the first companies to set foot in the esoteric testing service industry in China, we have focused on esoteric clinical tests since inception. Hematology testing is our earliest, most mature and extensive testing service. with our market share ranked first in the field of hematology testing for many years. For the year ended December 31, 2021, based on the foundation of hematology testing, we continued to have in-depth deployment in the fields of genetic disease and rare diseases, neurology, infectious diseases, oncology and maternity-related diseases testings, and actively provided services to Contract Research Organizations ("**CRO**") and medical institutions, which have achieved remarkable results.

1. Hematology Testing: 50 new testing items introduced

During the reporting period, our hematology testing segment added 50 new projects and 13 new combo packages, and we achieved positive growth in promoting testing projects for major disease types, such as lymphoma, myelodysplastic syndromes (MDS), multiple myeloma (MM), myeloproliferative neoplasms (MPN), transplant, etc. Among which, revenue generated from key items of Acute myeloid leukemia (AML)/MDS reached 77.26%, revenue generated from key items of lymphoma increased by 96.89% year-on-year and the sales of new items of myeloid diseases achieved breakthrough growth. For the year ended December 31, 2021, the lymphoma large gene panel R&D project was successfully developed. The lab has achieved deep next-generation sequencing (NGS) sequencing of DNA and cfDNA for a variety of clinical samples (bone marrow, peripheral blood, tissue samples, etc.) with an average sequencing depth of 10,000X-20,000X, which were well received by the market as evidenced by sales exceeding 120 items in a single month.

2. Genetic Disease and Rare Disease Testing: the sales of multiple steroid hormone tests doubled year-on-year

During the reporting period, in the genetic disease and rare diseases testing business line, our promotion activities focused on diseases such as congenital adrenal hyperplasia (CAH), precocious puberty in children, disorders of sexual development (DSD). Our hormone testing products are becoming increasingly recognized by clients in the pediatric endocrinology, the sales of multiple steroid hormone tests doubled.

3. Neurology Testing: 143 new partnering Class III hospitals

During the reporting period, neurology testing segment added 143 partnering Class III hospitals and launched six new projects covering Alzheimer's disease, myasthenia gravis, autoimmune autonomic ganglionopathy and other diseases. In addition, we introduced pharmacogenomic instruments and reagents, and expect to formally establish a pharmacogenetic testing and R&D platform in the first quarter of 2022. In the major diseases of pediatric neurology (autoimmune encephalitis, epilepsy, peripheral neuropathy, neurology infections), we have established a multi-omics testing and analysis process and formed a comprehensive diagnostic protocol for the major diseases of pediatric neurology. In the field of neurology, we insist on the model of "joint construction for multi-center cooperation platform + translational medicine" based on "integrated services for medical diagnosis". For the year ended December 31, 2021, we have added three cooperation platforms for joint construction and translational medicine. In particular, the joint construction immunology laboratory of Jiangxi Provincial People's Hospital has been successfully put into use.

4. Pathogen Infection Testing: 28 new testing items

During the reporting period, we added 28 infectious pathogen testing items, including second-generation sequencing, multiplex polymerase chain reaction (PCR) and single fungal PCR items for tuberculosis, fungi, viruses and other pathogens. For the year ended December 31, 2021, we have provided cellular and molecular scientific research services for over 20 hospitals in more than 10 provinces, cities and autonomous regions in infection sub-segments such as viruses and bacteria, as well as other infection-related fields. In addition, we expect to carry out pathogen fourth generation sequencing in the first half of 2022.

5. Oncology Testing: Revenue from testing services increased significantly, and new technologies empower new products to overcome difficulties in clinical diagnosis

For the year ended December 31, 2021, we have launched new products and new testing service items for various types of cancer, including intestinal cancer, cervical cancer, bladder cancer and liver cancer. Through extensive cooperation with hospitals, we have solved the difficult problems of screening patients at clinical high-risk and aided diagnosis for suspected patients. In the tumor recurrence dynamic monitoring sector, we introduced precise recurrence monitoring products for intestinal cancer, cervical cancer, and bladder cancer, and solved the problems of postoperative recurrence monitoring and therapeutic evaluation for patients. For the tumor companion diagnostic sector, we always followed the market trend closely, and our products covered lung cancer, gastrointestinal tumors, gynecological tumors, urinary tumors, and brain tumors.

6. Maternity-related Testing: Prenatal, reproductive and gynecologic oncology testing, safeguarding the health of both mothers and babies from all directions

Our maternity-related testing service line mainly focused on the prenatal, reproductive and gynecologic oncology fields. The prenatal testing field covered noninvasive prenatal testing (NIPT), NIPT (plus), genetic disease carrier screening, thalassemia screening, preeclampsia screening, deafness gene screening and other projects. For the year ended December 31, 2021, we added the diagnosis of pregnancy syndrome, and a multi omics disease diagnosis solution for pregnancy syndrome (such as gestational diabetes mellitus and gestational hypertension) was produced and perfected gradually. In the field of reproductive testing, we actively promoted the use of miscarriage gene chip, copy number variations sequencing (CNV-seq) prenatal diagnosis, pre-implantation genetic testing (PGT) and other products in medical institutions. With respect to gynecological tumor detection, we also continue to improve the cervical cancer screening program.

7. Contract research organizations and medical institutions services: more than 20 new scientific & research service projects added

During the reporting period, we added nearly 20 CRO and research services. In the hematology segment, we were conducting joint R&D with some renowned medical centers, improving the full-length monitoring solution of patients enrolled in CAR-T clinical trial, participating in tests with several cutting-edge indicators, actively exploring indicators and testing technologies that can effectively avoid adverse reactions and other threats to clinical safety, so as to raise the success rate of cell therapy. In the infectious diseases segment, we offered cellular level, molecular level and other scientific research services in the virus/bacterium infection field and other infection-related fields to six hospitals, including the First Affiliated Hospital of Zhengzhou University (鄭州大學第一附屬醫院) and the First Affiliated Hospital of Xi'an Jiaotong University (西安交大第一附屬醫院). In the neurology segment, we conducted a testing project of myasthenia gravis, and also collaborated with apolipoprotein E (APOE) gene project conducted by Sichuan Provincial People's Hospital (四川省人民醫院). In the infectious diseases segment, we provided scientific research services to several large hospitals in the area of metagenomics.

Deployment of New Business Segments

We are committed to promoting the development of specialty esoteric tests in China. Based on the existing business segments, we will gradually enter into new specialty esoteric testing services, with a view to further expand the scope of the specialty areas and improve the operational synergistic effect. During the reporting period, we had a new deployment in the following specialty areas.

1. Cardiovascular diseases

As the population ages, the prevalence of cardiovascular diseases (CVD) is on the rise in China. It has been estimated that the number of existing cardiovascular diseases patients reaches 330 million. During the reporting period, we focused on the research of biomarkers of CVD such as coronary heart diseases, acute myocarditis and acute myocardial infarction and explored verification studies with clinical value, and further provided testing items suitable for regular clinical uses. A comprehensive diagnostic service solution integrating the multi-omics technology will be formulated to provide CVD patients with multi-purpose products and services, such as super-early prediction, fast assay for acute cases and prognosis tracking.

2. Ophthalmology

China has the largest number of eye diseases patients in the world, with more than 1 billion existing eye diseases patients, among which over 150 million patients are ophthalmic clinical testing patients. We are actively exploring the opportunity for ophthalmic structured esoteric testing services which are relatively certain in the specialty of ophthalmology. During the reporting period, our R&D products covered three major areas: hereditary oculopathy, infectious oculopathy and immune oculopathy, which can provide clinicians and patients with oculopathy etiology testing, genetic counseling, pathology remote consultation, and scientific research cooperation.

3. Rheumatology

There are more than 200 million patients with rheumatic diseases in China currently and the market prospect is bright. During the reporting period, we had preliminary intention to carry out six types of disease and medicine testing projects, covering sicca syndrome, rheumatoid arthritis, ankylosing spondylitis, arthrolithiasis, antiphospholipid syndrome and allopurinol detection. Parallel efforts on clinical studies and R&D are made to support department of rheumatology's diagnosis and treatment.

Strategy and Outlook

We will continually strengthen our leading position in hematology esoteric clinical testing in China, and replicate our success in hematology esoteric testing to expedite the growth of esoteric testing service for genetic diseases and rare diseases, infectious diseases, oncology and neurology. We observe that the demand for esoteric testing in many specialties in China has not yet been satisfied. In the next three to five years, we will actively develop and enter into certain new specialty areas of esoteric testing service. At the same time, we are also committed to establishing strong connections with various participants in the esoteric clinical testing industry (including doctors, hospitals, pharmaceutical companies, CROs, academic institutions and regulators), deepening our existing strategic partnerships and continuing to expand our existing cooperation network. Since Listing, we have also attached great importance to the horizontal and vertical integration opportunities in the industry chain. We will steadily realize a strategic and forward-looking deployment through investment, integration and empowerment, which will help us grow.

Due to the deficiency of testing resources in developing countries, diagnosis and treatment standard of certain diseases including hematology diseases is relatively backward, the demand for specialty esoteric testing service is far from being satisfied, the emerging business opportunities in these overseas markets will become the driving force for our future growth. If there is suitable opportunity, we will utilize high technology to expand our business scope to Southeast Asia first. We will develop a fully integrated and cloud-based data collection to allocate resources among the laboratories in and outside of China, and create a 24-hour real-time seamless responsive network for hospitals and medical institutions across the globe. We will shoulder the mission of providing a wide range of high-quality specialty testing services to patients and doctors around the world, and promoting the application of precision medicine.

MANAGEMENT DISCUSSION AND ANALYSIS

R&D Investment

The R&D team consists of more than 250 medical and scientific experts in hematology, genetics, oncology and other specialty areas. Such powerful R&D team enables us to provide high-quality esoteric testing customized for customers' needs. Our R&D expense rate has been kept at around 9% for the past three years, continuous large investment in R&D provides sufficient power to our business development. During the reporting period, our R&D investment reached RMB90.3 million, representing a year-on-year increase of 20.0%. For the year ended December 31, 2021, we owned over 3,500 testing projects, with 112 new R&D projects, 17 patents in total pending or granted, 15 patents being applied, and 23 scientific research articles in aggregate were published throughout the year.

Laboratory Construction

In 2021, we added 3 new laboratories, and the total number reached 9. Among which, Shanghai SinoPath Medical Laboratory (上海信諾佰世醫學檢驗實驗室), which is under Shanghai SinoPath Medical Laboratory Co., Ltd. (上海信諾佰世醫學檢驗有限公司), focuses on children's hematological cancer and children's solid tumors specialty esoteric testing. It locates in Pudong New Area, Shanghai and the district's industry policy is strategically important to our development; whereas Wuhan Kindstar Zhenyuan Medical Laboratory (武漢康聖真源醫學檢驗實驗室) focuses on infectious diseases specialty esoteric testing. During the reporting period, our annual testing volume (excluding Covid-19 related testing) exceeds 2.8 million, among which, the specialty testing exceeds 1.68 million, representing an increase of nearly 217 thousand as compared with the previous year.

Expansion of the Sales Network

We have built a sales team of over 600 people with an average experience of over 5 years in promotion of esoteric testing market, and our sales network covers over 3,000 hospitals in 31 provinces in China. As the first independent provider of clinical esoteric testing in China, we are widely recognized by top hospitals, doctors and key opinion leaders, and we have maintained over 10 years of long-term collaboration with all top 20 and most of top 100 hospitals in China. During the reporting period, our genetic diseases and rare diseases testing, infectious diseases testing and neurology testing covered 735, 1,281 and 1,106 hospitals and medical institutions in China respectively.

In order to expand to the downstream of sales network precisely and benefit more patients, we completed the acquisition of Yijianyun (易檢雲), the leading medical detection platform in China, during the reporting period. Taking the "Internet + medical detection" model as its core, Yijianyun cultivates the online detection field. In the future, we will leverage on this to integrate the resources of doctors of various specialties across the country, enrich the delivery channels, improve patients' disease management during the management period, and provide them with online follow-up visits, interactive consultation, and regular monitoring after discharge.

Logistics System Optimization

We own a logistics team of over 1,000 members. 17 years of deep cultivation has made us the most experienced logistics service provider in the industry. In 2021, we carried out intelligent and digital optimization and innovation of the existing logistics system through technologies such as AI, big data, IoT, and cloud computing, which has significantly improved logistics efficiency. During the reporting period, we collected over 4.70 million sampling items, of which 93.07% of our samples were delivered to the corresponding laboratories for testing within 24 hours after sampling. In July 2021, we were awarded the certificate of enterprise meeting the national standard of *Pharmaceutical Cold Chain Logistics Operation Guidance*, which is a positive affirmation of our efforts in cold chain logistics of specimen transportation.

Set Foot in IVD Reagents Field

We actively sought opportunities for the integration of industry chains, and strived to enhance our overall competitiveness through the integration of upstream and downstream industry chains. We completed the merger and acquisition and capital increase of Wuhan Haixi Life Science Technology Co., Ltd ("**Wuhan Haixi**") during the reporting period. Wuhan Haixi is a high-tech enterprise based on research and development, manufacturing and sales of esoteric testing reagents, providing systematic, comprehensive "high-precision and cutting edge" testing reagent products. The acquisition will advance and realize our strategy of developing towards the upstream of clinical esoteric testing services, i.e. the R&D, production and sale of reagents, thereby further enhancing our profitability. In 2022, our main products, reagent kits for detection of V617F mutations of JAK2 gene (PCR- Fluorescence Probing) and reagent kits for qualitative detection of leukemia fusion genes (PCR- Fluorescence Probing) will enter the National Medical Products Administration-registered clinical trial stage.

Prospective Deployment in Immune Repertoire

As an important sequencing technology in next generation, the sequencing technology of the immune repertoire may bring disruptive change to the industry in the future. In recent years, all the testing industry giants make deployment in this field. This technology takes T/B lymphocytes as research target and analyzes the diversity of the body's immune repertoire and specific sequence information of T/B cell clones using multiple PCR and high-throughput sequencing technology to comprehensively and accurately assess and describe the status of the immune system and its relationship with disease. The technology has a wide range of applications such as lymphocytic hematological tumors.

During the reporting period, in order to further improve the strategic deployment in the area of immune repertoire, We established Wuhan Kindstar Biotechnology Co., Ltd.(武漢康聖貝泰生物科技有限公司). The benchmark for Kindstar Biotech is Adaptive Biotechnologies Corporation (NASDAQ: ADPT), a star company of immune-driven medicine and diagnosis in the United States. Kindstar Biotech aims to develop the application of immune repertoire technology in multiple specialties, and explore the path of biopharmaceutical and immunotherapy by accumulating specialty clinical data. Further, we entered into a strategic cooperation agreement with Shenzhen Neoimmune Co., Ltd. (深圳泛因醫學有限公司, a leading immunomics company in China) in Wuhan. Hubei Rivercity Kindstar Industry Investment Fund Partnership (Limited Partnership) (湖北瑞江康聖產業投資基金合夥企業(有限合夥)), our subsidiary, led the Pre-A financing for Shenzhen Neoimmune Co., Ltd. In the future, we will join hands with Shenzhen Neoimmune Co., Ltd. to fully utilize our respective unique advantages in product R&D, data accumulation and sales channel to conduct effective strategic synergy, and jointly explore the clinical application of the latest technology in immunology area, so as to achieve high-quality development.

Interdisciplinary Technology Empowerment

We value the empowerment of interdisciplinary advanced technologies to the esoteric testing industry, especially the opportunities brought by artificial intelligence to the industry. We started the R&D of AI analysis system for human karyotype in 2019. After over two years' efforts, we successfully developed a set of intelligent software based on mega level data by virtue of an efficient and engineered interface. The processing speed of AI analysis system is four to six times that of previously-used common analysis software, substantially increasing the efficiency of karyotype analysis and shortening the reporting cycle from 14 days to 5-7 days, thus providing a strong support just in time for the diagnosis and treatment of hereditary and hematologic tumor diseases. In order to enable AI technology to further empower our business, we signed a strategic cooperation with Shanghai Xingmai Information Technology Co., Ltd. ("**Fosun Aitrox**") during the reporting period. We and Fosun Aitrox will make joint efforts to explore the application of digital and AI analysis to various subspecialty pathology fields.

COVID-19-related testing business

During the reporting period, there was fluctuation in the revenue and segment result of our COVID-19-related testing. The explanation is as follows:

In 2020, COVID-19 pandemic in China broke out in Wuhan, Hubei. As a leading esoteric clinical testing service provider our headquarter located in Wuhan, we became one of the first testing agencies designated by Hubei Provincial Government to carry out COVID-19 nucleic acid tests and a contractor to provide testing services for Huoshenshan hospital and Leishenshan hospital, the two major emergency specialty field hospitals in Wuhan built during the outbreak.

In 2021, as the COVID-19 pandemic was easing significantly compared to the corresponding period of 2020, especially in the Wuhan region, and the testing capacity and technology had improved significantly across China, there was a decrease in the item price for COVID-19 testing. In the post-pandemic stage, the COVID-19-related testing market has become a "Red Ocean". In order to focus more on the high barrier specialty esoteric testing, we proactively adjusted our business structure to overcome the fluctuation in COVID-19-related testing service line. In 2021, after discounting the fluctuation of COVID-19-related testing business and its impact, the revenue and segment result of our non-COVID-19-related testing showed a stable growth and such positive trend shall continue.

Financial review

The table below sets forth our consolidated statements of profit or loss for the periods indicated, together with the change (expressed in percentages) from the year ended December 31, 2020 to the corresponding period of 2021:

	For the year ended December 31,		
	2021	2020	Year-on-year change
	RMB'000	*RMB'000*	*%*
Revenue	**930,673**	891,391	4.4
Cost of sales	**(444,903)**	(430,410)	3.4
Gross profit	**485,770**	460,981	5.4
Other income and gains	**62,763**	39,598	58.5
Selling and marketing expenses	**(282,240)**	(248,521)	13.6
Administrative expenses	**(69,513)**	(52,320)	32.9
Research and development costs	**(90,325)**	(75,282)	20.0
Other expenses	**(23,346)**	(22,382)	4.3
Listing expenses	**(30,067)**	(15,504)	93.9
Finance costs	**(1,808)**	(2,327)	(22.3)
Profit before fair value loss on financial liabilities at fair value through profit or loss ("**FVTPL**") and tax	**51,234**	84,243	(39.2)
Fair value loss on financial liabilities at FVTPL	**(1,505,222)**	(1,046,595)	43.8
Loss before tax	**(1,453,988)**	(962,352)	51.1
Income tax expense	**(246)**	(7,768)	(96.8)

	For the year ended December 31,		
	2021	2020	Year-on-year change
	RMB'000	*RMB'000*	*%*
Loss for the year	**(1,454,234)**	(970,120)	49.9
Attributable to:			
Owners of the parent	**(1,454,430)**	(974,020)	49.3
Non-controlling interests	**196**	3,900	(95.0)
Non-IFRS Measure:			
Adjusted net income	**81,055**	91,979	(11.9)

Revenue

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

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

	For the year ended December 31,				
	2021		2020		Year-on-year change
	RMB'000	*%*	*RMB'000*	*%*	*%*
Hematology testing	**535,268**	**57.5**	469,329	52.7	14.0
Neurology testing	**89,848**	**9.7**	76,042	8.5	18.2
Maternity-related testing	**52,248**	**5.6**	52,119	5.8	0.2
Genetic disease and rare disease testing	**43,495**	**4.7**	36,177	4.1	20.2
Infectious disease testing	**51,968**	**5.6**	50,441	5.7	3.0
Oncology testing	**8,615**	**0.9**	7,597	0.9	13.4
COVID-19-related testing	**62,104**	**6.7**	117,851	13.2	(47.3)
Routine testing	**67,672**	**7.3**	67,540	7.6	0.2
Others	**19,455**	**2.0**	14,295	1.6	36.1
Total	**930,673**	**100.0**	891,391	100.0	4.4

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

	For the year ended December 31,			
	2021		2020	
	Average price	**Testing volume**	Average price	Testing volume
	(in (in RMB)	***thousands)***	*(in RMB)*	*(in thousands)*
Hematology testing	**641**	**835**	638	736
Neurology testing	**985**	**91**	846	90
Maternity-related testing	**166**	**314**	194	268
Genetic disease and rare disease testing	**260**	**167**	287	126
Infectious disease testing	**203**	**257**	216	234
Oncology testing	**476**	**18**	655	12
Routine testing	**59**	**1,148**	69	983
Total	**307**	**2,830**	316	2,448
COVID-19-related testing[(1)]	**13.2**	**4,696**	64	1,861

Note:

(1) Number of people testing

The COVID-19 pandemic in 2020 limited our capacity to provide service and affected the demand for non-COVID-19-related testing. As we are recovering from the impact of pandemic gradually, our total revenue increased by 4.4% from RMB891.4 million for the year ended December 31, 2020 to RMB930.7 million for the reporting period, of which revenue from non-COVID-19-related testing recorded a year-on-year increase of 12.3%. The increase was primarily due to (i) the increasing demand from the population for medical services following the development of new technologies; (ii) the expansion of our customer's group (especially hospitals); (iii) the increase in demand for testing services from our existing hospital customers; and (iv) our leading status in hematology testing laid the foundation of our development in other esoteric testing specialties.

- *Hematology testing.* Our revenue from hematology testing services for the year ended December 31, 2021 amounted to RMB535.3 million, representing a year-on-year increase of 14.0%. We achieved positive growth in testing projects for major disease types. During the reporting period, we have established research collaboration with 212 medical institutions and provided service of research topic design, which contribute more than RMB10 million revenue. Meanwhile, we have perfected the composite testing item of six categories of hematology oncology sub-diseases which also led to the growth in revenue.

- *Neurology testing.* Our revenue from neurology testing services for the year ended December 31, 2021 amounted to RMB89.8 million, representing a year-on-year increase of 18.2%. Our neurology testing service line are in rapid growth stage. We have collaborated with more hospital customers and extend our testing service from neurology to other departments with demand for neurology immunity testing. For the year ended December 31, 2021, we cooperated with 143 new Class III hospitals and released 6 new projects covering Alzheimer's disease, myasthenia gravis, autoimmune autonomic ganglionopathy and other diseases.

- *Maternity-related testing.* Our revenue from maternity-related testing services for the year ended December 31, 2021 amounted to RMB52.2 million, representing a year-on-year increase of 0.2%. Although the item price for non-invasive Down's syndrome test was lowered, our revenue from maternity-related testing remained stable through our perfection and promotion of multic-omics disease diagnosis solution for pregnancy syndrome (such as gestational diabetes mellitus and gestational hypertension).

- *Genetic disease and rare disease testing.* Our revenue from genetic disease and rare disease testing services for the year ended December 31, 2021 amounted to RMB43.5 million, representing a year-on-year increase of 20.2%. In addition to increasing the coverage of NGS testing services, streamlining testing procedures and improving service satisfaction, we also stepped up the promotion of various steroid hormone testing and pediatric endocrine steroid hormone products. We maintained rapid growth in the pediatric endocrine market share and the sales of multiple steroid hormone tests was doubled year-on-year. Besides, we have also started various testings in Children's healthcare, which contributed year-on-year to the increase in the revenue of genetic disease and rare disease testing segment.

- *Infectious disease testing.* Our revenue from infection disease testing services for the year ended December 31, 2021 amounted to RMB52.0 million, representing a year-on-year increase of 3.0%. During the reporting period, we established specialized laboratory to provide infectious diseases-related testing and diagnosis services. We added 28 pathogen-related testing items and provided R&D services to 13 new hospitals. Although our infectious disease testing products are recovering from the impact of COVID-19 pandemic gradually, the growth rate of infectious disease testing service line is still negatively affected by the COVID-19 pandemic when compared with that of other service line.

- *Oncology testing.* Our revenue from oncology testing services for the year ended December 31, 2021 amounted to RMB8.6 million, representing a year-on-year increase of 13.4%. The increase was primarily due to the introduction of new products and technologies for intestinal cancer, cervical cancer and bladder cancer during the reporting period. We have extended cooperation with hospitals, and solved difficulties in screening for clinical high-risk patients and companion diagnostic for suspected patients.

- *COVID-19-related testing.* Our revenue from COVID-19-related testing services for the year ended December 31, 2021 amounted to RMB62.1 million, representing a year-on-year decrease of 47.3%. The decrease was primarily due to the effective control of the COVID-19 pandemic in China and the lower service item price.

- *Others.* Our other segment results include research and development, CROs and new testing services. Our revenue from other segments for the year ended December 31, 2021 amounted to RMB19.5 million, representing a year-on-year increase of 36.1%. We added nearly 20 CROs and research services during the reporting period. Our services are widely used by bio-pharmaceutical companies and CROs, and have become one of the important driving factors of our revenue. These services include discovery of novel targets and mechanisms of acquired resistance, retrospective specimen analysis that can rapidly identify biomarkers associated with drug response and resistance, prospective screening for accelerated clinical trial registration and patient referrals, prospective studies of clinical trials and development of companion diagnostics that could support the approval and commercialization of treatments.

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 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 year ended December 31,				
	2021		2020		Year-on-year change
	RMB'000	***%***	*RMB'000*	*%*	*%*
Staff costs	**115,840**	**26.1**	98,924	23.0	17.1
Outsourcing costs	**112,173**	**25.2**	123,845	28.8	(9.4)
Raw materials	**130,923**	**29.4**	136,412	31.7	(4.1)
Others	**85,967**	**19.3**	71,229	16.5	20.7
Total	**444,903**	**100.0**	430,410	100.0	3.4

Our cost of sales increased by 3.4% from RMB430.4 million for the year ended December 31, 2020 to RMB444.9 million for the year ended December 31, 2021. The increase was primarily due to our expansion of laboratory testing capacity and building of new self-owned and co-owned platform, which led to an increase in staff costs and other fixed costs. The decrease in outsourcing costs was primarily due to our continuous R&D, leading to a decrease in demand for outsourcing.

Gross Profit, Gross Profit Margin and Segment Results

For the year ended December 31, 2021, we recorded a consolidated gross profit of RMB485.8 million, representing a year-on-year increase of 5.4%. Our consolidated gross profit margin for the year ended December 31, 2021 was 52.2%, representing a year-on-year increase of 0.5%, of which the gross profit and gross profit margin of COVID-19-related testing services were RMB22.0 million and 35.4%, respectively, representing a year-on-year decrease of 62.3% and 14.1%, respectively; and the gross profit and gross profit margin of non-COVID-19-related testing services were RMB463.8 million and 53.4%, respectively, representing a year-on-year increase of 15.2% and 1.3%, respectively.

The above year-on-year changes in our gross profit and gross profit margin for the year ended December 31, 2021 were primarily due to (i) the significant retreat of the COVID-19 pandemic in China, especially Wuhan region; (ii) the lower item price for COVID-19 testing because of the increase of COVID-19 testing capacity and improvement of technologies across China; (iii) our focus on improving management and operation efficiency and non-COVID-19-related testing because of the change in COVID-19 testing market. Economy of scale and synergy effect have already been significantly improved in certain specialties; (iv) the enlargement of our business operation sites and purchase of new testing equipment and laboratories to expand our laboratory testing capacity after our successful Listing offseting the increase in gross profit from the growth of sales partially.

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

	For the year ended December 31,				
	2021		2020		
	Segment result *(RMB'000)*	**% of segment *revenue***	Segment result *(RMB'000)*	% of segment *revenue*	Year-on-year change %
Hematology testing	**152,573**	**28.5**	131,894	28.1	15.7%
Neurology testing	**14,058**	**15.6**	12,597	16.6	11.6%
Maternity-related testing	**3,554**	**6.8**	3,536	6.8	0.5%
Genetic disease and rare disease testing	**5,428**	**12.5**	2,398	6.6	126.4%
Infectious disease testing	**9,784**	**18.8**	7,343	14.6	33.2%
Oncology testing	**832**	**9.7**	456	6.0	82.5%
COVID-19-related testing	**6,347**	**7.3**	44,608	37.9	(85.8%)
Routine testing	**4,968**	**10.2**	5,196	7.7	(4.4%)
Others	**5,986**	**30.8**	4,432	31.0	35.1%
Total	**203,530**	**21.9**	212,460	23.8	(4.2%)

For the year ended December 31, 2021, our overall operating result was RMB203.5 million, representing a year-on-year decrease of RMB8.9 million or 4.2%. Among which, segment results of COVID-19-related testing was RMB6.3 million, representing a year-on-year decrease of RMB38.3 million, and segment results of non-COVID-19-related testing was RMB197.2 million, representing a year-on-year increase of RMB29.3 million or 17.5%. Despite the adverse impact of the COVID-19 pandemic, our non-COVID-19-related testing segments still recorded a significant growth in the year ended December 31, 2021.

- Segment results of our hematology testing service increased from RMB131.9 million for the year ended December 31, 2020 to RMB152.6 million for the year ended December 31, 2021, representing a year-on year increase of 15.7%, primarily due to the increase in revenue from hematology testings and the increase in profit margin for the segment from 28.1% for the year ended December 31, 2020 to 28.5% for the year ended December 31, 2021. Our operation efficiency and profit margin in hematology testing segment met the required level of a matured esoteric testing segment ;

- Segment results of our neurology testing service increased from RMB12.6 million for the year ended December 31, 2020 to RMB14.1 million for the year ended December 31, 2021, representing a year-on-year increase of 11.6%. There was a large increase in revenue but partially offset by a minor decrease in profit margin during the reporting period because 1) in order to expand our neurology testing capacity, we adopted the model of "Joint construction for multi-center cooperation platform + translational medicine" and three joint construction + translational medicine platform was newly-added as of December 31, 2021, leading to an increase in fixed assets investments; 2) to diversify our neurology testing catalogue, we released testing items specialized for Alzheimer's disease, various pediatric neurologic diseases, and other autoimmune diseases. Since these new testing items were still in promotion period, economy of scale was yet to be seen;

- Segment results of our maternity-related testing service increased from RMB3.5 million for the year ended December 31, 2020 to RMB3.6 million for the year ended December 31, 2021. Our maternity-related testing service segment results remained stable, primarily due to the relatively stable revenue from maternity-related testing;

- Segment results of our genetic disease and rare disease testing service increased from RMB2.4 million for the year ended December 31, 2020 to RMB5.4 million for the year ended December 31, 2021 representing a year-on-year increase of 126.4%. The increase was primarily due to the gradual enrichment of the testing items, increasing market recognition, and significant economy of scale;

- Segment results of our infectious disease testing service increased from RMB7.3 million for the year ended December 31, 2020 to RMB9.8 million for the year ended December 31, 2021 representing a year-on-year increase of 33.2%. The increase was primarily due the gradual recovery of our infectious disease testing service and introduction and promotion of our infectious pathogens-related testing items, leading to an increase in revenue and improvement of segment results;

- Segment results of our oncology testing service increased from RMB0.5 million for the year ended December 31, 2020 to RMB0.8 million for the year ended December 31, 2021 representing a year-on-year increase of 82.5%. Segment results of our oncology testing service increased rapidly over the reporting period but at a smaller scale overall. The growth in the segment results is in line with the growth in revenue;

- Segment results of our COVID-19-related testing service decreased from RMB44.6 million for the year ended December 31, 2020 to RMB6.3 million for the year ended December 31, 2021 representing a year-on-year decrease of 85.8%. The decrease was primarily due to the retreat of the COVID-19 pandemic in Wuhan and the decrease in COVID-19 testing price, leading to a decrease in revenue and gross profit margin for COVID-19-related testing service; and

- Our other segment results increased from RMB4.4 million for the year ended December 31, 2020 to RMB6.0 million for December 31, 2021, representing a year-on-year increase of 35.1%, primarily due to the increase in revenue from research service and CRO service.

Other Income and Gains

Our other income and gains increased by 58.5% from RMB39.6 million for the year ended December 31, 2020 to RMB62.8 million for the year ended December 31, 2021. The increase was primarily due to the net proceeds received from our Global Offering leading to an increase in bank balance and hence the interest income was increased.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 13.6% from RMB248.5 million for the year ended December 31, 2020 to RMB282.2 million for the year ended December 31, 2021. The increase was primarily due to (i) the increase in sales which led to an increase in the remuneration for our sales and marketing personnel; (ii) the gradual recovery of our business from the COVID-19 pandemic which led to a year-on-year increase in selling and marketing expenses; (iii) expansion of customer base and promotion of new testing items.

Administrative Expenses

Our administrative expenses increased by 32.9% from RMB52.3 million for the year ended December 31, 2020 to RMB69.5 million for the year ended December 31, 2021. The increase was primarily due to post-Listing professional fees including audit, legal, compliance and investor relations consultation fees.

Research and Development Costs

Our research and development costs increased by 20.0% from RMB75.3 million for the year ended December 31, 2020 to RMB90.3 million for the year ended December 31, 2021. The increase was primarily due to our continuous investment in hematology, oncology, infectious diseases, autoimmune disease testings. During the reporting period, we started 112 R&D projects, 17 patents in total were pending or granted, 15 patents were being applied, and 23 scientific research articles in aggregate were published.

Other Expenses

Our other expenses increased by 4.3% from RMB22.4 million for the year ended December 31, 2020 to RMB23.3 million for the year ended December 31, 2021.

Listing Expenses

We incurred listing expenses of RMB15.5 million and RMB30.1 million for the year ended December 31, 2020 and 2021, respectively, representing 1.7% and 3.2%of our revenue for the same period, in relation to the global offering (the "**Global Offering**") and listing (the "**Listing**") of our ordinary shares (the "**Shares**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Finance Costs

Our finance costs decreased by 22.3% from RMB2.3 million for the year ended December 31, 2020 to RMB1.8 million for the year ended December 31, 2021. The decrease was primarily due to the decrease in interest payment as a result of repayment of bank loans and other loans.

Fair Value Loss on Financial Liabilities at FVTPL

Our fair value loss on financial liabilities at FVTPL increased by 43.8% from RMB1,046.6 million for the year ended December 31, 2020 to RMB1,505.2 million for the year ended December 31, 2021. The increase was primarily due to the change in the fair value of convertible redeemable preferred shares issued before Listing.

Income Tax Expense

Our income tax expense decreased by 96.8% from RMB7.8 million for the year ended December 31, 2020 to RMB0.2 million for the year ended December 31, 2021.

Loss for the Year

As a result of the foregoing reasons, our loss for the year increased from RMB970.1 million for the year ended December 30, 2020 to RMB1,454.2 million for the year ended December 31, 2021.

Non-IFRS Measures: Adjusted Net Income

To supplement our consolidated results which are prepared and presented in accordance with IFRS, we also use adjusted net income as additional financial measure, which is not required by or presented in accordance with IFRS. We believe that this non-IFRS measure facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance such as certain non-cash items. We added back fair value loss on financial liabilities at FVTPL, which was caused by an increase in the fair value of our convertible redeemable preferred shares and convertible bonds issued by us. The convertible bonds were converted into convertible redeemable preferred shares in 2020, and further converted, together with our other convertible redeemable preferred shares, into ordinary shares upon Listing on July 16, 2021 (the "**Listing Date**"), after which we did not recognize any further loss on fair value changes from the convertible redeemable preferred shares. We also added back listing expenses as these are also non-recurring in nature and are not directly related to our operating activities. The use of this non-IFRS measure has limitations as an analytical tool. Investors and shareholders of our Company should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS. In addition, this non-IFRS financial measure may be defined differently from similar terms used by other companies.

The following tables set forth the reconciliations of our non-IFRS financial measure for the year ended December 31, 2020 and 2021 to the nearest measure prepared in accordance with IFRS:

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Loss for the year	**(1,454,234)**	(970,120)
Add:		
Fair value loss on financial liabilities at FVTPL	**1,505,222**	1,046,595
Listing expenses	**30,067**	15,504
Adjusted net income	**81,055**	91,979

Liquidity and Capital Resources

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

For the year ended December 31, 2021, we funded our working capital and other capital expenditure requirements through a combination of income generated from operations, investments received and the proceeds from the Global Offering. The following table sets forth a summary of our cash flows for the periods indicated.

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Net cash flows generated from operating activities	**68,028**	73,462
Net cash flows used in investing activities	**(666,059)**	(121,960)
Net cash flows generated from financing activities	**1,587,024**	851,925
Net increase in cash and cash equivalents	**988,993**	803,427
Cash and cash equivalents at the beginning of the year	**841,227**	59,510
Effect of foreign exchange rate changes, net	**(33,520)**	(21,710)
Cash and cash equivalents at the end of the year	**1,796,700**	841,227

Cash and cash equivalents

For the year ended December 31, 2021, our net cash flows generated from operating activities was RMB68.0 million. The difference between our net cash generated from operating activities and our loss before tax primarily resulted from adjustments for non-cash items.

For the year ended December 31, 2021, our net cash flows used in investing activities was RMB666.1 million, mainly attributable to purchase of wealth management product and time deposits and purchases of property, plant and equipment.

For the year ended December 31, 2021, our net cash flows generated from financing activities was RMB1,587.0 million, primarily attributable to proceeds from issue of ordinary shares.

As a result of the foregoing, our cash and cash equivalents, which were primarily held in Renminbi and United States dollars, increased by 113.6% from RMB841.2 million as of December 31, 2020 to RMB1,796.7 million as of December 31, 2021.

During the reporting period, we conducted business in China, and most of our transactions were settled in Renminbi. Our presentation and functional currency is Renminbi. We were not exposed to any significant foreign exchange risk since we did not have any significant financial assets or liabilities denominated in currencies other than Renminbi, other than United States dollars or Hong Kong dollars bank deposit primarily from investors as capital contributions. Our foreign exchange risk exposure mainly comes from the risk of exchange of United States dollars or Hong Kong dollars to Renminbi. We manage our foreign exchange risk by regularly reviewing net foreign exchange exposures and entering into foreign exchange forward and swap contracts. Our hedging activities period shall not exceed twelve months. Our management will continue to pay attention to the market and our own foreign exchange risk profile, and will consider taking appropriate hedging measures when necessary.

Indebtedness

As of December 31, 2021, as we had utilized credit limit of RMB6.6 million for issuance of acceptance bills, our unutilized banking facilities were RMB293.4 million.

Gearing ratio

We monitor capital on the basis of the gearing ratio. The gearing ratio is calculated by dividing the total borrowings as shown in the consolidated statements of financial position by the equity attributable to the shareholder of the Company. As of December 31, 2021, our gearing ratio was zero as we had no borrowings. No gearing ratio is presented in 2020 as we had total deficit in equity balance as of December 31, 2020, mainly attributable to the significant amount of convertible redeemable preferred shares.

Capital Expenditures

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

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Purchases of property, plant and equipment	**281,652**	23,200
Purchases of other intangible assets	**6,603**	3,585
Total	**288,255**	26,785

Contingent Liabilities

As of December 31, 2021, we did not have any material contingent liabilities.

Significant Investments and Future Plans for Material Investments or Capital Assets

As of December 31, 2021, 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

Wuhan Haixi Life Science Technology Co., Ltd.

On November 30, 2021, Kindstar Global Medical Technology (Wuhan) Co., Ltd. (康聖環球醫學科技(武漢)有限公司) ("**Kindstar Wuhan WFOE**"), a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the "**Equity Transfer Agreement dated November 30, 2021**") with Wuhan Haixi, a limited liability company established under the laws of the PRC, Dr. Huang Shiang ("**Dr. Huang**") and Dr. Li Xiaoqing in relation to the acquisition of 21.77% equity interest in Wuhan Haixi by Kindstar Wuhan WFOE at a total consideration of RMB10,657,900 (the "**Acquisition**").

On the even date, Kindstar Wuhan WFOE, Hubei Rivercity Kindstar Industry Investment Fund Partnership (Limited Partnership) (湖北瑞江康聖產業投資基金合夥企業(有限合夥)) ("**Hubei Rivercity**"), a limited partnership established under the laws of the PRC, Kindstar Global (Beijing) Technology, Inc. (康聖環球(北京)醫學技術有限公司) (formerly known as Kangxing Shengda (Beijing) Technology Co., Ltd. (康興聖達(北京)科技有限公司)) ("**Kindstar Beijing WFOE**"), a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of the Company, Dr. Huang and Dr. Li Xiaoqing entered into a capital increase agreement (the "**Capital Increase Agreement dated November 30, 2021**", together with the Equity Transfer Agreement dated November 30, 2021, the "**Agreements dated November 30, 2021**") with Wuhan Haixi pursuant to which, among others, each of Kindstar Wuhan WFOE and Hubei Rivercity agreed to make a contribution of RMB15,000,000, by way of cash, to Wuhan Haixi (the "**Capital Increase**").

Upon completion of the Acquisition and Capital Increase, Wuhan Haixi will be held as to 51.10% by the Company through Kindstar Wuhan WFOE and Kindstar Beijing WFOE, and will become a non wholly-owned subsidiary of the Company.

Based on the parties' valuation of Wuhan Haixi, the parties contracted that Kindstar Wuhan WFOE and Hubei Rivercity shall be compensated when Wuhan Haixi's operating revenue will be lower than 95% of RMB7,500,000 or when Wuhan Haixi's net profit will be lower than 95% of RMB3,000,000, respectively, for the year ending December 31, 2021. The parties will adjust the valuation of Wuhan Haixi based on the actual operating revenue and net profit (whichever is lower) for the year ending December 31, 2021 and the formula aforementioned. Dr, Huang and Dr. Li Xiaoqing will compensate Kindstar Wuhan WFOE and the Investors the difference between the original valuation and the adjusted valuation by transferring additional equity interest to Kindstar Wuhan WFOE and Hubei Rivercity (being the transferee in the Equity Transfer Agreement and the investors in the Capital Increase Agreement) without consideration as compensation (the "**Compensation Equity Interest**"). The Compensation Equity Interest will then be allocated between Kindstar Wuhan WFOE and Hubei Rivercity on a pro rata basis with reference to their respective equity interests in Wuhan Haixi after the completion of Acquisition and Capital Increase.

On December 10, 2021 (after trading hours), Kindstar Wuhan WFOE, Hubei Rivercity, Kindstar Beijing WFOE, Dr. Huang, Dr. Li Xiaoqing and Wuhan Haixi entered into a supplemental agreement to the Agreements dated November 30, 2021 to, amongst others, address certain scenarios where Dr. Huang and Dr. Li Xiaoqing will be required to transfer all of their equity interests in the Wuhan Haixi to Kindstar Wuhan WFOE and Hubei Rivercity as Compensation Equity Interest.

The operating revenue and the net profit of Wuhan Haixi for the year ending December 31, 2021 were approximately RMB7.2 million and RMB3.6 million respectively. Hence, the performance guarantee was met.

Dr. Huang is an executive Director and a substantial shareholder of the Company, hence also a connected person of the Company. Accordingly, the Acquisition and Capital Increase constituted connected transactions of the Company. Under Rule 14A.81 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), as the Acquisition and Capital Increase both involved the acquisition of interests in the Wuhan Haixi within 12 months, they were required to be aggregated as if they were one transaction. Please refer to the announcements of the Company dated December 1, 2021, December 10, 2021 and December 31, 2021 for further details. The Acquisition and Capital Increase was completed on January 26, 2022.

Hubei Rivercity Kindstar Industry Investment Fund Partnership (Limited Partnership)

On September 15, 2021, Kindstar (Wuhan) Investment Management Co., Ltd. (康聖環球(武漢)投資管理有限公司) ("**Kindstar Investment**"), a limited liability company established under the laws of the PRC whose financial results have been consolidated and accounted for as subsidiaries of the Company by virtue of variable interest entity structure ("**PRC Consolidated Entity**"), Ezhou Changda Asset Management Co., Ltd. (鄂州市昌達資產經營有限公司) ("**Ezhou Changda**"), a limited liability company established under the laws of the PRC, and Hubei Gedian Development Zone Construction Investment Co., Ltd. (湖北省葛店開發區建設投資有限公司) ("**Gedian Investment**"), a limited liability company established under the laws of the PRC (each as a limited partner) and Wuhan Booth Investment Information Co., Ltd. (武漢布斯投資資訊有限公司) ("**Wuhan Booth**"), a limited liability company established under the laws of the PRC (as the general partner) entered into a partnership agreement for the formation of Hubei Rivercity. The total capital contribution by all partners of Hubei Rivercity were RMB300,000,000, of which RMB177,000,000 were contributed by Kindstar Investment, RMB60,000,000 were contributed by Ezhou Changda, RMB60,000,000 were contributed by Gedian Investment, and RMB3,000,000 were contributed by Wuhan Booth. The formation of Hubei Rivercity constituted a discloseable transaction of the Company. Please refer to the announcements of the Company dated September 15, 2021 and October 25, 2021 for further details.

Transactions with Non-Controlling Interests

Xinjiang Kindstar Yijiali Medical Laboratory Co., Ltd.

On August 19, 2021, Wuhan Kindstar Medical Laboratory Co., Ltd. (武漢康聖達醫學檢驗所有限公司) ("**Wuhan Kindstar**"), a limited liability company established under the laws of the PRC and a PRC Consolidated Entity (as the purchaser) and Mr. Zheng Jianhua (鄭建華) and Xinjiang Yijiali Medical Technology Service Co., Ltd. (新疆醫嘉利醫學技術服務股份有限公司) ("**Xinjiang Yijiali**"), a limited liability company established under the laws of the PRC (as the vendors) entered into an equity transfer agreement ("**Equity Transfer Agreement dated August 19, 2021**"), pursuant to which Wuhan Kindstar agreed to purchase, and Mr. Zheng Jianhua (鄭建華) and Xinjiang Yijiali agreed to sell an aggregate of 43% equity interest in Xinjiang Kindstar Yijiali Medical Laboratory Co., Ltd. (新疆康聖達醫嘉利醫學檢驗所(有限公司)) ("**Xinjiang Kindstar**"), a limited liability company established under the laws of the PRC and a PRC Consolidated Entity at a total consideration of RMB25,800,000. Upon completion, Xinjiang Kindstar became a wholly-owned subsidiary of Wuhan Kindstar.

On December 29, 2021, the parties to the Equity Transfer Agreement dated August 19, 2021 entered into a supplemental equity transfer agreement, under which the consideration adjustment mechanism in the payment terms of the Equity Transfer Agreement was amended.

Since Xinjiang Kindstar was a PRC Consolidated Entity and each of Mr. Zheng Jianhua (鄭建華) and Xinjiang Yijiali was a substantial shareholder of Xinjiang Kindstar and hence a connected person of the Company at the subsidiary level, the transaction constituted a connected transaction of the Company. Please refer to the announcements of the Company dated August 19, 2021 and December 29, 2021 for further details. As of December 31, 2021 and the date of this announcement, the transaction has not been completed.

Acquisition of property

On October 15, 2021, Wuhan Kindstar (as the purchaser) and Wuhan Optics Valley Biological Industry Base Construction Investment Co., Ltd. (武漢光穀生物產業基地建設投資有限公司) ("**Wuhan Optics Valley**"), a limited liability company established under the laws of the PRC (as the vendor) entered into the Wuhan National Bioindustry (Innovation) Base Property Transfer Agreement dated October 15, 2021 (the "**Property Transfer Agreement**"), pursuant to which Wuhan Kindstar agreed to purchase, and Wuhan Optics Valley agreed to sell, the 1st to 7th floors of the building located at Biolake D2-1, 666 Gaoxin Road, East Lake High Tech Zone, Wuhan, Hubei, PRC (the "**Property**") at a total consideration of RMB224,248,523 in accordance with the terms and conditions of the Property Transfer Agreement. The acquisition of the Property constituted a discloseable transaction of the Company. Please refer to the announcement of the Company dated October 15, 2021 for further details.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended December 31, 2021.

Charges on Group Assets

As of December 31, 2021, we did not have any charged assets.

Final Dividend

The Board has resolved not to declare any final dividend for the year ended December 31, 2021.

Annual General Meeting

The AGM will be held on Wednesday, June 1, 2022. A notice convening the AGM will be published and dispatched to the Shareholders in the manner required by the Listing Rules in due course.

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

For the purpose of ascertaining the members' eligibility to attend and vote at the AGM, the Company's register of members will be closed from Thursday, May 26, 2022 to Wednesday, June 1, 2022, both dates inclusive, during which period no transfer of share will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East. Hong Kong for registration not later than 4:30 p.m. on Wednesday, May 25, 2022.

Company Information

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

Employees

As of December 31, 2021, we had 2,870 employees in total and most of them were located in Hubei and Sichuan Provinces, Beijing and Shanghai. We conduct new staff training regularly to guide new employees and help them adapt to the new working environment. In addition, we provide online and in-person formal and comprehensive company-level and department-level training to our employees on a quarterly basis in addition to on-the-job training. We also encourage our employees to attend external seminars and workshops to enrich their technical knowledge and develop competencies and skills, and provide training and development programs to our employees and external training sessions from time to time to improve their technical skills and ensure their awareness and compliance with our various policies and procedures.

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

The Company adopted the pre-IPO stock incentive plans on March 14, 2013, December 20, 2015 and December 1, 2016. As of December 31, 2021, options to subscribe for 114,985,256 Shares, representing approximately 11.27% of the then total issued share capital of the Company, were outstanding and held by the grantees. On June 22, 2021, the Company also adopted the post-IPO 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 December 31, 2021, no restricted share unit or option had been granted or agreed to be granted under the Post-IPO RSU Scheme or Post-IPO Option Scheme, respectively.

Significant Events After the Reporting Period

Save as disclosed in note 21 to the consolidated financial statements, there are no material events subsequent to December 31, 2021 which could have a material impact on our operating and financial performance as of the date of this announcement.

Use of Proceeds from the Global Offering

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

Intended use of proceeds	Percentage of intended use of proceeds *(%)*	Intended use of proceeds from the initial public offering *(In HKD millions)*	Actual usage between the Listing Date and December 31, 2021 *(In HKD millions)*	Unutilized net proceeds as of December 31, 2021 *(In HKD millions)*	Timeframe for the unused balance
Sales and marketing of our existing esoteric testing service lines to cover more hospitals, especially Class III hospitals					
Sales, marketing and expansion of hematology testing business	15	308.0	54.3	253.7	By June 30, 2023
Sales, marketing and expansion of genetic diseases and rare diseases and maternity-related testing business	10	205.4	26.8	178.6	By June 30, 2023
Sales, marketing and expansion of oncology, infectious disease and neurology testing businesses	10	205.4	31.7	173.7	By June 30, 2023
Research and development of our existing esoteric testing service lines					
Research and development of hematology testing	6.7	136.9	41.6	95.3	By June 30, 2023
Research and development of genetic diseases and rare diseases and maternity-related testing	6.7	136.9	4.9	132.0	By June 30, 2023
Research and development of neurology, infectious disease, oncology and routine testing	6.7	136.9	8.4	128.5	By June 30, 2023

Intended use of proceeds	Percentage of intended use of proceeds *(%)*	Intended use of proceeds from the initial public offering *(In HKD millions)*	Actual usage between the Listing Date and December 31, 2021 *(In HKD millions)*	Unutilized net proceeds as of December 31, 2021 *(In HKD millions)*	Timeframe for the unused balance
Development and commercialization of new lines of esoteric testing services	15	308.0	22.6	285.4	By June 30, 2023
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	4.8	97.9	By June 30, 2023
Increasing our testing capacity	10	205.4	46.4	159.0	By June 30, 2023
Overseas expansion into markets outside of China	5	102.7	–	102.7	By June 30, 2023
Working capital and other general corporate purposes	10	205.4	24.4	181.0	–
Total	**100.0**	**2,053.6**	**265.9**	**1,787.7**	By June 30, 2023

Note:

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

To the extent that the net proceeds from the Global Offering are not immediately applied for the above purposes and to the extent permitted by the relevant law and regulations, we intend to deposit the net proceeds only into short-term deposits with licensed financial institutions in Hong Kong or the PRC. We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	**2021**	2020
		RMB'000	*RMB'000*
REVENUE	*4*	**930,673**	891,391
Cost of sales		**(444,903)**	(430,410)
Gross profit		**485,770**	460,981
Other income and gains		**62,763**	39,598
Selling and marketing expenses		**(282,240)**	(248,521)
Administrative expenses		**(69,513)**	(52,320)
Research and development costs		**(90,325)**	(75,282)
Other expenses		**(23,346)**	(22,382)
Listing expenses		**(30,067)**	(15,504)
Finance costs		**(1,808)**	(2,327)
PROFIT BEFORE FAIR VALUE LOSS ON FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL") AND TAX		**51,234**	84,243
Fair value loss on financial liabilities at FVTPL	*16*	**(1,505,222)**	(1,046,595)
LOSS BEFORE TAX	*5*	**(1,453,988)**	(962,352)
Income tax expense	*6*	**(246)**	(7,768)
LOSS FOR THE YEAR		**(1,454,234)**	(970,120)
Attributable to:			
Owners of the parent	*8*	**(1,454,430)**	(974,020)
Non-controlling interests		**196**	3,900
		(1,454,234)	(970,120)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the financial statements of subsidiaries		**13,726**	19,660
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		**(39,077)**	82,355
Other comprehensive (expense)/income for the year, net of tax		**(25,351)**	102,015
Total comprehensive expense for the year, net of tax		**(1,479,585)**	(868,105)
Attributable to:			
Owners of the parent		**(1,479,781)**	(872,005)
Non-controlling interests		**196**	3,900
		(1,479,585)	(868,105)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For loss for the year	*8*	**(2.93)**	(8.69)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

31 December 2021

	Notes	**2021**	2020
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**354,902**	122,200
Right-of-use assets		**17,676**	35,420
Prepayments, deposits and other receivables	*11*	**16,636**	6,711
Other intangible assets		**25,602**	10,486
Time deposits	*12*	**60,000**	–
Investments in associates		**5,764**	2,312
Deferred tax assets		**48,021**	42,733
Goodwill		**2,190**	1,862
Total non-current assets		**530,791**	221,724
CURRENT ASSETS			
Inventories		**50,812**	44,977
Trade and bills receivables	*10*	**339,144**	310,385
Prepayments, deposits and other receivables	*11*	**34,486**	99,078
Amounts due from related parties		**–**	2,162
Financial assets at FVTPL		**162,871**	55,000
Pledged deposits		**–**	1,808
Profit tax receivables		**–**	598
Time deposits (more than 3 months)	*12*	**274,155**	–
Cash and cash equivalents		**1,796,700**	841,227
Total current assets		**2,658,168**	1,355,235
CURRENT LIABILITIES			
Trade and bills payables	*13*	**134,820**	131,785
Other payables and accruals	*14*	**278,966**	257,424
Contract liabilities	*15*	**6,024**	5,240
Interest-bearing bank borrowings		**–**	40,000
Profit tax payable		**2,061**	–
Amounts due to related parties		**6,380**	74,575
Lease liabilities		**8,360**	21,637
Deferred tax liabilities		**547**	–
Contingent Consideration		**15,255**	–
Total current liabilities		**452,413**	530,661

	Notes	2021 *RMB'000*	2020 *RMB'000*
NET CURRENT ASSETS		**2,205,755**	824,574
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,736,546**	1,046,298
NON-CURRENT LIABILITIES			
Deferred income		**1,906**	2,573
Convertible redeemable preferred shares	*16*	**–**	2,854,390
Lease liabilities		**9,832**	23,750
Total non-current liabilities		**11,738**	2,880,713
Net assets/(liabilities)		**2,724,808**	(1,834,415)
EQUITY/(DEFICIENCY) IN EQUITY			
Equity attributable to owners of the parent			
Share capital	*17*	**1,466**	242
Treasury shares	*17*	**1**	–
Reserves		**2,718,748**	(1,844,044)
		2,720,215	(1,843,802)
Non-controlling interests		**4,593**	9,387
Total equity/(deficit)		**2,724,808**	(1,834,415)

NOTES

1. CORPORATE AND GROUP INFORMATION

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

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

Information about subsidiaries

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

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

Name	*Notes*	Date and place of incorporation/registration and place of operations	Issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
廣州希諾醫學檢驗實驗室有限公司 Guangzhou Xinuo Medical Laboratory Co., Ltd. ("**Guangzhou Xinuo**")		PRC/Mainland China 10-Oct-2019	RMB10,000,000	–	80%	Clinical Testing Service
康聖環球醫學科技(武漢)有限公司 Kindstar Global Medical Technology (Wuhan) Co., Ltd. ("**Kindstar Wuhan WFOE**")		PRC/Mainland China 11-Sep-2020	RMB800,000,000	–	100%	Investment holding
武漢康聖真源醫學檢驗所有限公司 Wuhan Kindstar Zhenyuan Medical Laboratory Co., Ltd. ("**Kindstar Zhenyuan**")	*(b)*	PRC/Mainland China 3-Feb-2021	RMB10,000,000	–	70%	Clinical Testing Service
康聖環球(武漢)投資管理有限公司 Kindstar (Wuhan) Investment Management Co., Ltd. ("**Kindstar Investment**")	*(c)*	PRC/Mainland China 8-Sep-2021	RMB30,000,000	–	100%	Investment holding
武漢康聖貝泰生物科技有限公司 Wuhan Kindstar Biotechnology Co., Ltd. ("**Kindstar Biotech**")	*(d)*	PRC/Mainland China 14-Sep-2021	RMB10,000,000	–	70%	Clinical Testing Service
武漢易檢雲信息技術有限公司 Wuhan Yijianyun Information Technology Co., Ltd. ("**Wuhan Yijianyun**")	*(e)*	PRC/Mainland China 8-Oct-2021	RMB5,000,000	–	90%	E-commerce Service
成都溫江康聖友醫互聯網醫院有限公司 Chengdu Wenjiang Kangshengyou Medical Internet Hospital Co., Ltd. ("**Wenjiang Kangshenyou Medical**")	*(f)*	PRC/Mainland China 22-Oct-2021	RMB50,000,000	–	100%	Clinical Testing Service
上海信諾佰世醫學檢驗有限公司 Shanghai SinoPath Medical Laboratory Co., Ltd. ("**SinoPath**")	*(g)*	PRC/Mainland China 1-Dec-2021	RMB33,000,000	–	100%	Clinical Testing Service

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

Notes:

(a) During the year ended 31 December 2021, the Group acquired the 43% interest from the non-controlling interest shareholders of Xinjiang Kindstar. Further details of the acquisition are included in note 20 to the Consolidated financial statements.

(b) On 3 February 2021, Kindstar Zhenyuan was established under the laws of the PRC with a registered capital of RMB10 million.

(c) On 8 September 2021, Kindstar Investment was established under the laws of the PRC with a registered capital of RMB30 million.

(d) On 14 September 2021, Kindstar Biotech was established under the laws of the PRC with a registered capital of RMB10 million.

(e) On 8 October 2021, the Group acquired Wuhan Yijianyun. Further details of the acquisition are included in note 18 to the Consolidated financial statements.

(f) On 22 October 2021, Wenjiang Kangshenyou Medical was established under the laws of the PRC with a registered capital of RMB50 million.

(g) On 1 December 2021, the Group acquired Sinopath.Further details of the acquisition are included in note 19 to the Consolidated financial statements.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions*

The new or amended IFRSs that are effective from 1 January 2021 did not have any significant impact on the Group's accounting policies.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2,4]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16 and IAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022.

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

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

4 On 25 June 2020, the IASB issued the amendments to IFRS 17 which included a deferral of the effective date of IFRS 17 to annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted for entities that apply IFRS 9 on or before the date of initial application of IFRS 17. Accordingly, qualifying insurers could apply both standards (IFRS 9 and IFRS 17) for the first time to annual reporting periods beginning on or after 1 January 2023. As a consequence of the amendments to IFRS 17, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023.

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

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is 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) The "others" segment provides Testing services for R&D projects and others and miscellaneous service.

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

For the year ended 31 December 2021

Segments	Hematology Testing *RMB'000*	Genetic diseases and rare diseases *RMB'000*	Infectious diseases *RMB'000*	Oncology *RMB'000*	Neurology *RMB'000*	Maternity-related diseases *RMB'000*	COVID-19 related testing *RMB'000*	Routine testing *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue:										
Sales to external customers	**535,268**	**43,495**	**51,968**	**8,615**	**89,848**	**52,248**	**62,104**	**67,672**	**19,455**	**930,673**
Segment results	**152,573**	**5,428**	**9,784**	**832**	**14,058**	**3,554**	**6,347**	**4,968**	**5,986**	**203,530**
Reconciliation:										
Other income and gains										**62,763**
Administrative expenses										**(69,513)**
Research and development costs										**(90,325)**
Other expenses										**(23,346)**
Finance costs										**(1,808)**
Listing expenses										**(30,067)**
Fair value loss on financial liabilities at FVTPL										**(1,505,222)**
Group's loss before tax										**(1,453,988)**

For the year ended 31 December 2020

Segments	Hematology Testing *RMB'000*	Genetic diseases and rare diseases *RMB'000*	Infectious diseases *RMB'000*	Oncology *RMB'000*	Neurology *RMB'000*	Maternity-related diseases *RMB'000*	COVID-19 related testing *RMB'000*	Routine testing *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue:										
Sales to external customers	469,329	36,177	50,441	7,597	76,042	52,119	117,851	67,540	14,295	891,391
Segment results	131,894	2,398	7,343	456	12,597	3,536	44,608	5,196	4,432	212,460
Reconciliation:										
Other income and gains										39,598
Administrative expenses										(52,320)
Research and development costs										(75,282)
Other expenses										(22,382)
Finance costs										(2,327)
Listing expenses										(15,504)
Fair value loss on financial liabilities at FVTPL										(1,046,595)
Group's loss before tax										(962,352)

4. REVENUE

An analysis of revenue is as follows:

Revenue from contracts with customers

(i) Disaggregated revenue information

	2021	2020
	RMB'000	*RMB'000*
Types of services		
Clinical testing service – at a point in time	**922,716**	882,962
Testing services for R&D projects and others – over time	**7,957**	8,429
Total revenue from contracts with customers	**930,673**	891,391

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

	2021	2020
	RMB'000	*RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of year:		
Clinical Testing Service	**969**	577
Testing services for R&D projects and others	**973**	3,076
	1,942	3,653

(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. LOSS BEFORE TAX

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

	Notes	**2021**	2020
		RMB'000	*RMB'000*
Cost of inventories sold		**7,233**	7,868
Cost of services provided		**444,903**	430,410
Depreciation of property, plant and equipment	*9*	**35,647**	34,546
Less: Amount capitalized		**–**	(75)
		35,647	34,471
Depreciation of right-of-use assets		**19,095**	15,243
Amortization of other intangible assets		**2,691**	1,081
Research and development costs		**90,532**	75,282
Auditor's remuneration		**3,088**	329
Listing expenses		**30,067**	15,504
Employee benefit expense (including director's benefit)			
Salaries and other benefits		**258,980**	235,870
Less: Amount capitalized		**(196)**	(1,280)
		258,784	234,590
Pension scheme contributions, social welfare and other welfare		**36,802**	28,957
Less: Amount capitalized		**(28)**	(147)
		36,774	28,810
Lease payments not included in the measurement of lease liabilities		**6,418**	8,710
Bank interest income		**10,871**	1,377
Finance costs		**1,808**	2,327
Foreign exchange losses, net		**38**	125
Fair value losses on convertible redeemable preferred shares	*16*	**1,505,222**	891,434
Fair value losses on convertible bonds		**–**	155,161
Interest income from wealth management assets		**1,633**	278
Fair value gains/(losses) on financial assets at FVTPL		**1,312**	(59)
Gains on disposal of items of Right-of-use assets		**9,072**	–
Losses on disposal of items of property, plant and equipment and other intangible assets		**511**	231
Impairment losses on financial assets under ECL model		**9,825**	6,943
Write-down of inventories to net realisable value		**2,153**	1,755

6. INCOME TAX

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

Cayman Islands

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

Singapore

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

Hong Kong

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

Mainland China

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

		2021	2020
Entity			
Wuhan Kindstar	1	**15%**	15%
Beijing Hightrust	2	**15%**	15%
Shanghai SimpleGene	3	**15%**	15%
Xinjiang Kindstar	4,5	**15%**	note 5
Huaxi kindstar	4,5	**15%**	note 5
Chengdu Shengyuan	4,5	**15%**	note 5
Shanghai Xinuo		**25%**	25%

(1) In 2016, Wuhan Kindstar was accredited as a "High and New Technology Enterprise" ("**HNTE**") for a period of three years from 2016 to November 2018. Wuhan Kindstar subsequently renewed its HNTE qualification in 2019, and is entitled to a preferential CIT rate of 15% from 2019 to 2022. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

(2) In 2014, Beijing Hightrust was accredited as a HNTE for a period of three years from 2014 to 2016. Beijing Hightrust subsequently renewed its HNTE qualification in 2017 and 2020, and was entitled to a preferential CIT rate of 15% from 2017 to 2019 and 2020 to 2022, respectively. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

(3) Shanghai SimpleGene was accredited as a HNTE in 2019 and therefore Shanghai SimpleGene was entitled to a preferential CIT rate of 15% from Year 2019 to 2021. 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 and Chengdu Shengyuan) 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) Xinjiang Kindstar, Huaxi Kindstar and Chengdu Shengyuan are qualified as small-scaled minimal profit enterprises. Pursuant to Caishui [2019] circular No. 13, the first RMB1,000,000 of assessable profits of these subsidiaries may be calculated as 25% and be taxed at the preferential CIT rate of 20%. The assessable profits between RMB1,000,000 and RMB3,000,000 may be calculated as 50% and be taxed at the preferential CIT rate of 20%. The policy shall be effective during 2019 to 2031.

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

	2021	2020
	RMB'000	*RMB'000*
Current income tax	**7,959**	10,794
(Overprovision)/underprovision in prior years	**(2,425)**	346
Deferred income tax	**(5,288)**	(3,372)
Total tax charge for the year	**246**	7,768

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

	2021	2020
	RMB'000	*RMB'000*
Loss before tax	**(1,453,988)**	(962,352)
Tax at the statutory tax rate (25%)	**(363,497)**	(240,588)
Lower tax rates for specific provinces or enacted by local authority	**(2,541)**	(5,363)
Adjustments in respect of current tax of previous periods	**(2,425)**	346
Effect on opening deferred tax assets or liabilities resulting from change in applicable tax rate	**–**	(1,540)
Income not subject to tax	**(408)**	(394)
Expenses not deductible for tax	**384,892**	268,738
Tax losses not recognised	**146**	–
Additional deductible allowance for qualified research and development costs	**(15,921)**	(13,431)
Tax charge at the Group's effective rate	**246**	7,768

The Group has accumulated tax losses arising in Mainland China of RMB26,627,000 as at 31 December 2021 (2020: RMB13,907,000), that will expire in one to ten years for offsetting against future taxable profits of the subsidiaries in which the losses arose. The tax losses had been fully recognized in deferred tax assets as at the end of each reporting periods.

7. DIVIDENDS

In December 2020, the board of the Company passed a board resolution to distribute special dividends of USD25,000,000 (equivalent to RMB163,521,000) to Ever Prospect Global Limited ("**Ever Prospect**"), a company incorporated in BVI and ultimately controlled by Mr. Tu Zanbing. After netting off with the loans receivable from key management and employee of USD9,814,706 (equivalent to RMB64,149,900), USD5,185,294 (equivalent to RMB34,124,000) and USD10,000,000 (equivalent to RMB65,408,000) were paid to Ever Prospect on 24 November 2020 and 4 January 2021, respectively.

No dividend has been declared by the Company during the year ended 31 December 2021.

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 495,605,781 (2020: 112,030,204) in issue during the year.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year has been retrospectively adjusted for the effect of the Share Subdivision as set out in note 33 to the consolidated financial statements.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2021. No adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2020 in respect of a dilution as the impact of convertible redeemable preferred shares and convertible bonds had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of basic loss per share is based on:

	2021	2020
Loss		
Loss attributable to ordinary equity holders of the parent (RMB'000)	**(1,454,430)**	(974,020)
Ordinary shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**495,605,781**	112,030,204
Loss per share (RMB per share)	**(2.93)**	(8.69)

9. PROPERTY, PLANT AND EQUIPMENT

31 December 2021

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

31 December 2020

	Laboratory equipment *RMB'000*	Transportation equipment *RMB'000*	Other equipment *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 31 December 2020						
Cost	170,506	4,151	30,936	88,670	408	294,671
Accumulated depreciation	(110,397)	(3,078)	(14,621)	(30,277)	–	(158,373)
Net carrying amount	60,109	1,073	16,315	58,393	408	136,298
At 1 January 2020, net of accumulated depreciation	60,109	1,073	16,315	58,393	408	136,298
Additions	14,062	207	2,065	314	862	17,510
Transfer	276	(100)	(136)	1,259	(1,299)	–
Disposals	(168)	(5)	(94)	–	–	(267)
Acquisition of a subsidiary	845	–	373	1,596	391	3,205
Depreciation provided during the year	(20,263)	(299)	(4,972)	(9,012)	–	(34,546)
At 31 December 2020, net of accumulated depreciation	54,861	876	13,551	52,550	362	122,200
At 31 December 2020:						
Cost	183,494	4,165	31,149	91,871	362	311,041
Accumulated depreciation	(128,633)	(3,289)	(17,598)	(39,321)	–	(188,841)
Net carrying amount	54,861	876	13,551	52,550	362	122,200

10. TRADE AND BILLS RECEIVABLES

	2021 ***RMB'000***	2020 *RMB'000*
Trade receivables	**376,812**	339,840
Bills receivable	**66**	677
	376,878	340,517
Allowance for expected credit losses	**(37,734)**	(30,132)
	339,144	310,385

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 minimize 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 aging 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:

	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**224,062**	230,429
1 year to 2 years	**76,378**	67,772
2 years to 3 years	**31,942**	9,459
3 years to 4 years	**5,664**	2,457
4 years to 5 years	**1,067**	169
Over 5 years	**31**	99
	339,144	310,385

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

	2021	2020
	RMB'000	*RMB'000*
At beginning of year	**30,132**	23,189
Impairment losses, net	**9,825**	6,943
Amount written off as uncollectible	**(2,223)**	–
At end of year	**37,734**	30,132

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 aging, historical denial and past collection experience. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. In addition, trade receivables with significant outstanding and credit-impaired balances are assessed for ECL individually.

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

2021

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

2020

	Amount *RMB'000*	Expected loss rate *%*	Impairment *RMB'000*
Individually assessed:	5,641	100.00	5,641
Measured by provision matrix:			
Within 1 year	235,722	2.53	5,971
1 year to 2 years	76,238	11.10	8,466
2 years to 3 years	12,841	26.34	3,382
3 years to 4 years	3,838	35.96	1,380
4 years to 5 years	444	61.94	275
Over 5 years	5,116	98.06	5,017
	339,840		30,132

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 ***RMB'000***	2020 *RMB'000*
Deposits and other receivables (current)	**19,542**	21,770
Prepayments		
– current	**8,024**	4,106
– non-current*	**7,080**	6,711
Wealth management products (current)**	**–**	60,059
Value-added tax recoverable		
– current	**2,990**	476
– non-current*	**9,556**	–
Prepaid expenses (current)	**3,930**	6,459
Prepaid listing expenses (current)	**–**	6,208
	51,122	105,789
Analyzed into:		
Current portion	**34,486**	99,078
Non-current portion	**16,636**	6,711
	51,122	105,789

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

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

** During the reporting periods, the Group used surplus capital to purchase wealth management products from domestic commercial banks, which preserved capital and liquidity. The returns on all of these financial products are fixed. Those financial assets with cash flows that are SPPI are classified and measured at amortized cost.

12. TIME DEPOSITS

	2021	2020
	RMB'000	*RMB'000*
Time deposits – current (more than 3 months)	**274,155**	–
Time deposits – non-current (more than 1 year)	**60,000**	–
	334,155	–

Non-current time deposits represent deposits over one year. As at 31 December 2021, RMB60,000,000 of non-current time deposits carried fixed interest rates ranging from 3.3% to 3.79% per annum with maturity from March 2022 to January 2024.

Current time deposits represent deposits over 3 months but less than one year. As at 31 December 2021, RMB274,155,000 of non-current time deposits carried fixed interest rates ranging from 0.25% to 0.57% per annum.

13. TRADE AND BILLS PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Bills payable	**128,234**	9,042
Trade payables	**6,586**	122,743
	134,820	131,785

An aging 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:

	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**119,308**	113,497
1 year to 2 years	**7,170**	8,978
Over 2 years	**8,342**	9,310
	134,820	131,785

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

14. OTHER PAYABLES AND ACCRUALS

	2021	2020
	RMB'000	*RMB'000*
Other payables*	**48,039**	28,693
Accruals	**126,974**	133,830
Payroll payable	**103,953**	94,901
	278,966	257,424

* 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. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

	2021	2020
	RMB'000	*RMB'000*
Testing services for R&D projects and others	**4,857**	3,742
Clinical Testing Service	**1,167**	1,498
	6,024	5,240

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

16. CONVERTIBLE REDEEMABLE PREFERRED SHARES

From 2007 to 2012, the Company entered into share purchase agreements with founders of the Company and several independent investors and issued 18,666,667 Series A convertible redeemable preferred shares ("**Series A Preferred Shares**"), 20,943,230 Series B convertible redeemable preferred shares ("**Series B Preferred Shares**"), 6,124,021 Series B1 convertible redeemable preferred shares ("**Series B1 Preferred Shares**") and 24,198,413 Series C convertible redeemable preferred shares ("**Series C Preferred Shares**").

Pursuant to the Series D Preference Share Purchase Agreement dated 14 July 2020, the Company agreed to issue and allot 19,868,842 Series D convertible redeemable preferred shares ("**Series D Preferred Shares**") in aggregate to the holders of convertible bonds issued by Wuhan Kindstar during 2016 and 2017. The details of the issue of these convertible bonds are set out in Appendix I in the prospectus published on 29 June 2021.

Pursuant to the Series D+ Preference Share Purchase Agreement dated 8 September 2020, the Company agreed to issue and allot 9,698,920 Series D+ convertible redeemable preferred shares ("**Series D+ Preferred Shares**") in aggregate to an investor for a total consideration of US$20,000,000 or US$2.0621 per share.

During the period from October 6, 2020 to December 3, 2020, the Company entered into Series E Preference Share Purchase Agreements with the Series E Investors, who subscribed 33,962,595 Series E preferred shares of the Company at a total consideration of approximately US$108.3 million or US$3.19 per share.

Series A, B, B1, C, D, D+ and E convertible redeemable preferred shares are collectively referred to as "Preferred Shares", all of which are unsecured and interest-free.

Details of the key terms of the Preferred Shares, were set out in note 32 of Appendix I in the prospectus published on 29 June 2021.

The Group and the Company have designated the Preferred Shares as whole as financial liabilities carried at FVTPL. The change in fair value of the Preferred Shares is charged to profit or loss except for the portion attributable to credit risk change that shall be charged to other comprehensive income. The management considered that the fair value change in the Preferred Shares attributable to changes of own credit risk is not significant.

All issued Preferred Shares had been automatically converted into 533,850,752 ordinary shares upon the successful Global Offering of the Company on July 16, 2021 and the then fair value of financial liabilities of RMB4,349,037,000 had been reclassified to equity accordingly.

The movements of the Preferred Shares are set out as follows:

	Series A	Series B	Series C	Series D	Series D+	Series E	Total
At 1 January 2020	202,693	309,067	295,768	–	–	–	807,528
Change in fair value	206,980	288,566	243,208	–	87,123	65,557	891,434
Additions	–	–	–	–	136,662	722,247	858,909
Transfer from convertible bonds	–	–	–	420,292	–	–	420,292
Exchange adjustments *(Note i)*	(24,730)	(36,190)	(32,786)	–	(11,054)	(19,013)	(123,773)
At 31 December 2020	384,943	561,443	506,190	420,292	212,731	768,791	2,854,390
Change in fair value	224,570	322,424	284,067	228,653	104,178	341,330	1,505,222
Conversion into ordinary shares	(608,275)	(882,018)	(788,534)	(647,450)	(316,051)	(1,106,709)	(4,349,037)
Exchange adjustments *(Note i)*	(1,238)	(1,849)	(1,723)	(1,495)	(858)	(3,412)	(10,575)
At 31 December 2021	–	–	–	–	–	–	–

Key valuation assumptions used to determine the fair value of Preferred Shares as at the end of 31 December 2020 are as follows:

	At 31 December 2020
Risk-free interest rate	0.1%
Discount for lack of marketability ("**DLOM**")	14%
Volatility	44%

The Group estimated the risk-free interest rate based on the yield of the United States Government Bond with maturity close to the expected exit timing as of the valuation date. The DLOM was estimated based on the option-pricing method. Under the option-pricing method, the cost of a put option, which can hedge the price change before the privately held shares can be sold, was considered as a basis to determine the lack of marketability discount. Volatility was estimated based on annualized standard deviation of daily stock price return of comparable companies for a period from the valuation date and with a similar time span to expiration.

17. SHARE CAPITAL

Issued and fully paid

	2021 ***RMB'000***	2020 *(RMB'000)*
Issued and fully paid:		
901,610,620 (2020: 36,340,842) ordinary shares	**1,466**	242

Share Capital

	Number of shares in issue	**Share capital** *(RMB'000)*
At 1 January 2021 *(Note i)*	36,340,842	242
Share split *(Note ii)*	109,022,526	–
Automatic conversion of Convertible Preferred Shares upon Global Offering *(Note 32)*	533,850,752	864
Shares issued upon Global Offering *(Note iii)*	226,405,000	366
Share repurchase *(Note iv)*	(4,008,500)	(6)
At 31 December 2021	901,610,620	1,466

Treasury Shares

	Number of shares repurchased	**Share capital** *(RMB'000)*
At January 1, 2021	–	–
Share repurchased but not yet cancelled *(Note iv)*	580,500	1
At 31 December 2021	580,500	1

Note:

i. The Company was incorporated on 24 August 2008 with authorized share capital of US$50,000 divided into 50,000,000 ordinary shares with a par value of US$0.001 each. On 30 January 2012, the Company increased its authorized share capital to US$200,000 divided into 130,067,668 ordinary shares of a par value of US$0.001 each. In October and November 2020, Tu Zan-Bing, the key management member of the Company, transferred 17,493,027 options of the Company acquired from the Pre-IPO Share Option Scheme to Ever Prospect, which is controlled by Tu Zan-Bing. On 11 November 2020, Ever Prospect exercised 9,656,036 share options.

ii. Pursuant to a shareholders' resolution passed on June 22, 2021, the authorized share capital of the Company was subdivided on a 1-to-4 basis upon the initial public offering and as a result, the par value was changed from US$0.001 per each share to US$0.00025 per each share and the authorized share capital of the Company of US$500,000 was subdivided into 2,000,000,000 Shares of US$0.00025 each share (the "**Share Subdivision**").

iii. On 16 July 2021, the Company issued a total of 226,405,000 ordinary shares of US$0.000025 each at the price of HK$9.78 per share by means of Global Offering.

iv. Pursuant to the board resolution passed on 5 November 2021, the Company announced to exercise its powers under the repurchase mandate to repurchase shares of the Company. A total of 4,008,500 shares were repurchased by the Company at a total consideration of HK$19,795,000 (equivalent to approximately RMB16,281,000) during the year ended 31 December 2021, among which 3,428,000 shares had been cancelled as at 31 December 2021 and the remaining 580,500 shares had been cancelled in January 2022.

18. BUSINESS COMBINATION

The Group held 25% equity interests in Wuhan Yijianyun as at 31 December 2020. On 8 October 2021, the Group further acquired 65% equity interests in Wuhan Yijianyun from third party individuals, at a consideration of RMB724,000, increasing the total equity interests in Wuhan Yijianyun to 90%. The total purchase consideration was paid subsequently on 26 October 2021. Upon completion of the acquisition, Wuhan Yijianyun became a non-wholly owned subsidiary of the Group.

Wuhan Yijianyun is mainly engaged in provision of E-commerce services. The acquisition was made as part of the Group's strategy to expand its market share of online clinical testing services through E-commerce platform.

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

	Notes	**Fair value recognized on acquisition** *RMB'000*
Property plant and equipment	*9*	149
Other intangible assets		2,629
Cash and cash equivalents		1,034
Prepayments, deposits and other receivables		207
Trade and bills receivables		633
Amounts due to related parties		(1,000)
Deferred tax liabilities		(547)
Other payables and accruals		(2,495)
Total identifiable net assets at fair value		610
Fair value of 25% equity interests held by the Group before the acquisition		(153)
Non-controlling interests		(61)
		396
Goodwill on acquisition		328
Satisfied by:		
Cash consideration paid during the year ended 31 December 2021		724
Total cash consideration		724

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

	RMB'000
Cash consideration paid during the year ended 31 December 2021	(724)
Cash and cash equivalents acquired	1,034
Net inflow of cash and cash equivalents included in cash flows from investing activities	310

19. ACQUISITION OF SUBSIDIARIES THAT ARE NOT A BUSINESS

On 27 October 2019, the Group entered into a share purchase agreement with 3rd party investors to acquire 100% equity interests in Shanghai SinoPath Medical Laboratory Co., Ltd. 上海信諾佰世醫學檢驗有限公司 ("**SinoPath**"). The acquisition of SinoPath was accounted for as asset acquisition because SinoPath failed to constitute a business under IFRS 3. Upon completion of the acquisition in December 2021, the acquired company became a wholly-owned subsidiary of the Group. The acquisitions were accounted for as asset acquisition since the Group determined that those activities and assets of acquired equity interests of SinoPath didn't constitute business on the acquisition date acquired.

Identifiable assets acquired and liabilities assumed after allocation of transaction price of SinoPath as at the dates of acquisition were as follows:

	Notes	**Fair value recognized on acquisition** *RMB'000*
Property plant and equipment	*9*	380
Other intangible assets		8,878
Cash and cash equivalents		48
Profit tax receivables		215
Trade and bills payables		(5)
Other payables and accruals		(16)
Total identifiable net assets at fair value		9,500
Satisfied by:		
Cash consideration to be paid		525
Cash consideration paid during the year ended 31 December 2021		8,975
Total cash consideration		9,500

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

	RMB'000
Cash consideration paid during the year ended 31 December 2021	(8,975)
Cash and cash equivalents acquired	48
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(8,927)

20. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On 19 August 2021, Wuhan Kindstar acquired 43% equity interests in Xinjiang Kindstar from non-controlling shareholders. Upon completion of the Acquisition, Xinjiang Kindstar will become a wholly-owned subsidiary of the Group.

The consideration was determined after arm's length negotiations with non-controlling shareholders, taking into account the financial performance of Xinjiang Kindstar and the potential growth of its business. The consideration will be adjusted upon Mr. Zheng Jianhua collecting outstanding receivables of RMB16,411,000 for Xinjiang Kindstar in respect of its nucleic acid testing business. In the event where the amount of outstanding receivables collected by Mr. Zheng Jianhua for Xinjiang Kindstar falls below RMB16,411,000, the total consideration for the Acquisition will be adjusted. The first installment payment of RMB2,375,000 was paid in September 2021. The unpaid contingent consideration was initially measured at fair value of RMB15,255,000 and was remeasured to fair value at subsequent reporting dates, if any, with the corresponding gains or loss being recognised in profit or loss.

The differences between the carrying amount of non-controlling interests and contingent consideration paid by Wuhan Kindstar had been recognised as a debit to other reserve during the year ended 31 December 2021.

The effect of changes in the equity interests of the subsidiary on the total equity attributable to owners of the parent during the period is summarized as follows:

	RMB'000
Carrying amount of non-controlling interests acquired	(5,500)
Cash consideration paid during the year ended 31 December 2021	2,375
Consideration payable as at 31 December 2021	7,625
Contingent consideration payable as at 31 December 2021	15,255
Excess of consideration paid over the carrying amount acquired	19,755

21. EVENTS AFTER 31 DECEMBER 2021

With the sales/net profit targets achieved by Haixi Life Technology, the closing conditions under the Haixi SPA and Haixi Capital Increase Agreement were met. In January 2022, the consideration for the equity transfer of RMB10,657,900 has been paid to Mr. Huang Shi-ang and an individual shareholder and the capital of RMB15,000,000 has been injected into Haixi Life Technology. Upon completion of the equity transfer and capital injection, Haixi Life Science became held as to 51.10% directly by the Group and became a non-wholly owned subsidiary of the Group.

OTHER INFORMATION

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

For the year ended December 31, 2021, the Company repurchased a total of 4,008,500 Shares (the "**Shares Repurchased**") on the Stock Exchange at an aggregate consideration (including transaction cost) of approximately HK$19.8 million. The repurchased Shares were subsequently cancelled. The repurchase was effected because the Board considered that a share repurchase in the then conditions demonstrates the Company's confidence in its own business outlook and prospects and would, in the long term, benefit the Company and create value to the Shareholders.

Particulars of the Shares Repurchased in 2021 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)*
November	1,679,000	4.91	4.55	8,027
December	2,329,500	5.74	4.47	11,768
Total	**4,008,500**	**–**	**–**	**19,795**

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) for the year ended December 31, 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its affairs are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all shareholders. The Company has applied the principles as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules.

The Board is of the view that, during the period commencing from the Listing Date and ended on December 31, 2021, the Company has complied with the code provisions as set out in the CG Code, except for the deviation as explained below.

Code provision A.2.1 of the CG Code (which has been renumbered as code provision C.2.1 since January 1, 2022) stipulates that the roles of chairman of the Board and chief executive should be separate and should not be performed by the same individual. The roles of chairman of the Board and chief executive officer of the Company are held by Dr. Huang. In view of Dr. Huang's experience, personal profile and his roles in the Group, and the fact that Dr. Huang has been a chief executive of the Group since its incorporation, the Board considers it beneficial to the business prospect and operational efficiency of the Group that Dr. Huang acts as the chairman of the Board and continues to act as the chief executive officer of the Company.

While this will constitute a deviation from the CG Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by the Board requires approval by at least a majority of the Directors; (ii) Dr. Huang and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of the Company and will make decisions for the Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high 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 the Group's code of conduct regarding the Directors' securities transactions. Having made specific enquiry of all the Directors, all the Directors confirmed that they have strictly complied with the Model Code during the period commencing from the Listing Date and ended on December 31, 2021.

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 A.6.4 (which has been renumbered as code provision C.1.3 since January 1, 2022) of the CG Code. No incident of non-compliance with the Employees Written Guidelines by the Company's relevant employees had been noted since the Listing Date and up to the date of this announcement after making reasonable enquiry.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

The Board has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. As of the date of this announcement, the Audit Committee consists of three members, namely Dr. Xia 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 consolidated financial statements for the year ended December 31, 2021. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company with senior management members and the Company's auditor, Ernst & Young, Certified Public Accountants, and discussed matters with respect to internal controls with senior management members. Based on this review and discussions with the management and Ernst & Young, the Audit Committee was satisfied that the Group's consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the year ended December 31, 2021.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual 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 annual report of the Company for the year ended December 31, 2021 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the same websites in due course.

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

Hong Kong, March 25, 2022

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.