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Kindstar Globalgene Technology, Inc.
康聖環球基因技術有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 9960)

CONNECTED TRANSACTION ACQUISITION OF 43% EQUITY INTEREST IN THE TARGET COMPANY

The Acquisition

The Board is pleased to announce that on August 19, 2021, the Purchaser, a PRC Consolidated Entity, and the Vendors entered into the Equity Transfer Agreement, pursuant to which the Purchaser has agreed to purchase, and the Vendors have agreed to sell an aggregate of 43% equity interest in the Target Company at a total consideration of RMB25,800,000 in accordance with the terms and conditions of the Equity Transfer Agreement. Upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Purchaser.

Listing Rules Implications

The Target Company is a PRC Consolidated Entity. As of the date of this announcement, each of the Vendors is a substantial shareholder of the Target Company and hence a connected person of the Company at the subsidiary level. Accordingly, the Acquisition constitutes a connected transaction of the Company. By virtue of Rule 14A.101 of the Listing Rules, as the Board has approved the Acquisition, and the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable and the Acquisition is on normal commercial terms or better and in the interests of the Company and its shareholders as a whole, the Acquisition is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As all applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition are less than 5%, the Acquisition does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

THE ACQUISITION

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THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out below:

Date

August 19, 2021

Parties

- (1) the Purchaser;
- (2) the Vendors (namely, Mr. Zheng Jianhua (鄭建華) and Xinjiang Yijiali); and
- (3) the Target Company.

The Target Company is a PRC Consolidated Entity. As of the date of this announcement, each of the Vendors is a substantial shareholder of the Target Company and hence a connected person of the Company at the subsidiary level. The ultimate beneficial owners of Xinjiang Yijiali are Mr. Zheng Jianhua, one of the Vendors, and Ms. Cang Cuilian (藏翠連). To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Ms. Cang Cuilian is a third party independent of the Company and its connected persons.

Subject Matter

Pursuant to the Equity Transfer Agreement, the Purchaser agreed to acquire, and Mr. Zheng Jianhua (鄭建華) and Xinjiang Yijiali agreed to sell, 27% and 16% equity interest in the Target Company, respectively, in accordance with the terms and conditions of the Equity Transfer Agreement.

Consideration

The total consideration for the Acquisition shall be RMB25,800,000 which is the sum of (i) RMB16,200,000, representing the transfer price of 27% equity interest in the Target Company from Mr. Zheng Jianhua, and (ii) RMB9,600,000, representing the transfer price of the 16% equity interest in the Target Company from Xinjiang Yijiali. The consideration was determined after arm's length negotiations with the Vendors, taking into account the financial performance of the Target Company and the potential growth of its business, in particular its (a) price-earnings ratio and (b) future economic benefits attainable which is discounted into present value.

The Purchaser will satisfy such consideration in cash using the Group's net proceeds from the Global Offering designated for its expansion across the industry value chain.

Conditions Precedent

The Purchaser's payment obligation under the Equity Transfer Agreement is conditional upon satisfaction or waiver of the following conditions (the "**Conditions Precedent**"):

- (1) the Equity Transfer Agreement and other related transaction documents coming into effect without breach on the part of any of the Parties, and all representations and warranties under the Equity Transfer Agreement being true, accurate, complete and not falsely stated or misleading;
- (2) the Parties having obtained all necessary internal approvals, including but not limited to approvals of their respective general meetings, board of directors and other internal governing bodies, and the Target Company having provided the Purchaser with the original copy of the relevant resolutions;
- (3) the Parties having obtained the approval of the relevant authorities or government agencies for the Acquisition, if necessary; and
- (4) the Target Company continuing to operate normally in accordance with the law and having not experienced any material adverse changes in its business, technology, operations, employees (including its management team and core staff), organizational structure, assets and financial condition.

If the Conditions Precedent are not fulfilled within two business days after the execution of the Equity Transfer Agreement, the Purchaser shall be entitled not to pay the consideration for the Acquisition and to terminate the Equity Transfer Agreement.

Payment Terms

Pursuant to the Equity Transfer Agreement, the consideration for the Acquisition shall be payable in the following manner:

- First installment: Upon Xinjiang Yijiali completing the change in the industrial and commercial registration in relation to the transfer of 16% equity interest in the Target Company and Mr. Zheng Jianhua providing details of personal tax involved in the transfer, the Purchaser shall advance such amount of personal tax to the tax bureau;
- Second installment: RMB10,000,000, representing approximately 38.8% of the total consideration (subject to deduction of the amount of personal tax advanced to the tax bureau), shall be paid to Mr. Zheng Jianhua upon his completing the change in the industrial and commercial registration (including shareholding, legal representative, articles of association, etc.) in relation to the transfer of 27% equity interest in the Target Company; and

- Third installment: RMB6,200,000 and RMB9,600,000, aggregately representing the remaining 61.2% of the total consideration, shall be paid to Mr. Zheng Jianhua and Xinjiang Yijiali upon Mr. Zheng Jianhua collecting outstanding receivables of RMB16,411,232 for the Target Company in respect of its nucleic acid testing business.

In the event where the amount of outstanding receivables collected by Mr. Zheng Jianhua for the Target Company falls below RMB16,411,232, the total consideration for the Acquisition will be adjusted as follows:

$$\text{Adjusted total consideration} = \text{RMB25,800,000 (being the original total consideration)} \times \frac{\text{Actual outstanding receivables collected as of December 31, 2021}}{\text{RMB16,411,232 (being the expected outstanding receivables to be collected)}}$$

The difference between the original total consideration and the adjusted total consideration shall be deducted from the third installment.

Completion

Completion of the Acquisition shall take place upon completion of the change in the industrial and commercial registration in relation to the transfer of equity interest in the Target Company.

INFORMATION OF THE PARTIES

The Company and the Purchaser

The Company is an exempted company with limited liability incorporated under the laws of the Cayman Islands on August 24, 2007. The Group is a leading independent esoteric clinical testing service provider in the PRC.

The Purchaser is a limited liability company established under the laws of the PRC on August 8, 2003 and a PRC Consolidated Entity. It is principally engaged in providing clinical testing services in the PRC. As of the date of this announcement, the Purchaser is legally held as to 96.29% and 3.71% by Dr. Huang Shiang and Mr. Tu Zanbing, each an executive Director, as registered shareholders, respectively.

The Target Company

The Target Company is a limited liability company established under the laws of the PRC on April 6, 2017 and a PRC Consolidated Entity. It is principally engaged in providing clinical testing services in the PRC. As of the date of this announcement, the Target Company is held as to 57%, 27% and 16% by the Purchaser, Mr. Zheng Jianhua and Xinjiang Yijiali, respectively.

Set out below is a summary of the unaudited financial information of the Target Company for the years ended December 31, 2019 and 2020:

	For the year ended	
	December 31,	
	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Profit before taxation	306	10,547
Profit after taxation	305	9,708

The book value of the unaudited net assets of the Target Company as of December 31, 2020 was approximately RMB71.8 million.

The original acquisition cost of Mr. Zheng Jianhua and Xinjiang Yijiali for their respective interest in the Target Company are approximately RMB4.3 million and RMB2.6 million, respectively, representing their accumulative capital contributions to Xinjiang Kindstar.

The Vendors

Mr. Zheng Jianhua is a director of Xinjiang Yijiali. Xinjiang Yijiali is a limited liability company established under the laws of the PRC and is principally engaged in the provision of clinical testing services. As of the date of this announcement, it is held as to approximately 95.8% and 4.2% by Mr. Zheng Jianhua and Ms. Cang Cuilian, respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Purchaser. The Board is of the view that the Acquisition would be beneficial to the Company and its shareholders as a whole as it could (i) solidify the Company's control of and dominance over the business operations and development of the Target Company; (ii) promote the Group's province-wide strategic planning and resource deployment; and (iii) further enhance the Company's profitability as a result of the increase in its shareholding in the Target Company.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition are fair and reasonable, and the Acquisition is on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

The Target Company is a PRC Consolidated Entity. As of the date of this announcement, each of the Vendors is a substantial shareholder of the Target Company and hence a connected person of the Company at the subsidiary level. Accordingly, the Acquisition constitutes a connected transaction of the Company. By virtue of Rule 14A.101 of the Listing Rules, as the Board has approved the

Acquisition, and the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable and the Acquisition is on normal commercial terms or better and in the interests of the Company and its shareholders as a whole, the Acquisition is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As all applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition are less than 5%, the Acquisition does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

As none of the Directors have a material interest in the Acquisition, no Director was required to abstain from voting on the relevant Board resolutions approving the Acquisition.

DEFINITIONS

“Acquisition”	the proposed acquisition of 43% equity interest in the Target Company pursuant to the terms and conditions of the Equity Transfer Agreement
“Board”	the board of Directors
“Company”	Kindstar Globalgene Technology, Inc., an exempted company with limited liability incorporated under the laws of the Cayman Islands
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated August 19, 2021 entered into between the Purchaser and the Vendors with respect to the Acquisition
“Global Offering”	the global offering of the Shares in connection with the Listing
“Group”	the Company and its subsidiaries (including the PRC Consolidated Entities)
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on July 16, 2021
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Party(ies)”	the party(ies) to the Equity Transfer Agreement
“PRC”	the People’s Republic of China
“PRC Consolidated Entity(ies)”	entity(ies) whose financial results have been consolidated and accounted for as subsidiaries of the Company by virtue of variable interest entity structure
“Purchaser”	Wuhan Kindstar Medical Laboratory Co., Ltd. (武漢康聖達醫學檢驗所有限公司), a limited liability company established under the laws of the PRC and a PRC Consolidated Entity
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	ordinary share(s) in the share capital of the Company with a par value of US\$0.00025 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Target Company”	Xinjiang Kindstar Yijiali Medical Laboratory Co., Ltd. (新疆康聖達醫嘉利醫學檢驗所(有限公司)), a limited liability company established under the laws of the PRC and a PRC Consolidated Entity
“Vendors”	Mr. Zheng Jianhua (鄭建華) and Xinjiang Yijiali
“Xinjiang Yijiali”	Xinjiang Yijiali Medical Technology Service Co., Ltd. (新疆醫嘉利醫學技術服務股份有限公司), a limited liability company established under the laws of the PRC and one of the Vendors
“%”	per cent

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

Hong Kong, August 19, 2021

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.