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

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

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

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

**HIGHLIGHTS**

**Key Financial Data**

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

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

*Notes:*

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

## **Revenue**

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

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

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

## **Net income and net margin**

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

## Key operating data

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

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

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

## BUSINESS REVIEW AND OUTLOOK

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

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

## **Markets and Channels**

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

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

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

## **Specialty Esoteric Testing Services**

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

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

## **Esoteric Testing Reagents, CROs and Scientific Research Services**

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

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

## **External Investment and M&A**

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

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

## **Digitalization, Informatization and Artificial Intelligence**

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

## Revenue

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

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

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

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

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

## Cost of Sales

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

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

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

## Gross Profit, Gross Profit Margin and Segment Results

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

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

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

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

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

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

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

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

### **Other Income and Gains**

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

## **Selling and Marketing Expenses**

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

## **Administrative Expenses**

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

## **Research and Development Costs**

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

## **Other Expenses**

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

## **Finance Costs**

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

## **Income Tax Expense**

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

## **Profit for the Period**

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

## Liquidity and Capital Resources

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

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

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

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

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

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

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

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

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

### ***Indebtedness***

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

### **Gearing Ratio**

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

### **Capital Expenditures**

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

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

### **Contingent Liabilities**

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

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

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

## **Material Acquisitions and Disposals**

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

## **Charges on Group Assets**

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

## **Interim Dividend**

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

## **Employees**

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

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

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

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

### Significant Events After the Reporting Period

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

### Use of Proceeds

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

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

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

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

*Note:*

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

## **ROUNDING**

Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

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

*For the six months ended 30 June 2023*

|   | <i>Notes</i> | <b>For the<br/>six months<br/>ended 30 June<br/>2023<br/>RMB'000<br/>(Unaudited)</b> | <b>For the<br/>six months<br/>ended 30 June<br/>2022<br/>RMB'000<br/>(Unaudited)</b> |
|---|--------------|--|--|
| <b>REVENUE</b>  | 4            | <b>492,760</b>   | 659,482  |
| Cost of sales   |              | <u>(248,840)</u>   | <u>(360,826)</u>   |
| <b>Gross profit</b>   |              | <b>243,920</b>   | 298,656  |
| Other income and gains  |              | <b>81,179</b>  | 49,329   |
| Selling and marketing expenses  |              | <b>(159,588)</b>   | (165,486)  |
| Administrative expenses   |              | <b>(49,250)</b>  | (38,829)   |
| Research and development costs  |              | <b>(52,784)</b>  | (44,760)   |
| Other expenses  |              | <b>(13,528)</b>  | (25,768)   |
| Finance costs   |              | <b>(3,249)</b>   | (411)  |
| <b>PROFIT BEFORE TAX</b>  |              | <b>46,700</b>  | 72,731   |
| Income tax expense  | 6            | <u>(3,212)</u>   | <u>(9,502)</u>   |
| <b>PROFIT FOR THE PERIOD</b>  |              | <b><u>43,488</u></b>   | <b><u>63,229</u></b>   |
| Attributable to:  |              |  |  |
| Owners of the parent  |              | <b>43,982</b>  | 62,536   |
| Non-controlling interests   |              | <u>(494)</u>   | <u>693</u>   |
|   |              | <b><u>43,488</u></b>   | <b><u>63,229</u></b>   |
| <b>OTHER COMPREHENSIVE INCOME</b>   |              |  |  |
| Other comprehensive expense that may be reclassified to profit or loss in subsequent periods:     |              |  |  |
| Exchange differences on translation of the financial statements of subsidiaries                   |              | <u>–</u>   | <u>(58,448)</u>  |
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods: |              |  |  |
| Exchange differences on translation of the financial statements of the Company                    |              | <u>53,239</u>  | <u>123,719</u>   |
| Other comprehensive income for the period, net of tax   |              | <b><u>53,239</u></b>   | <b><u>65,271</u></b>   |

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

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

30 June 2023

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

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

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

## 1. CORPORATE INFORMATION

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

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

## 2.1 BASIS OF PREPARATION

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

### 3. OPERATING SEGMENT INFORMATION

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

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

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

**For the six months ended 30 June 2023**  
**(Unaudited)**

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

**For the six months ended 30 June 2022**  
**(Unaudited)**

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

## Geographical information

Since nearly all of the Group's non-current assets were located in Mainland China, no geographical segment information is presented in accordance with IFRS 8 *Operating Segments*.

## Information about major customers

No information about major customers is presented as there was no single customer from which over 10% or more of the Group's revenue was derived during the reporting periods.

## 4. REVENUE

An analysis of revenue is as follows:

### Revenue from contracts with customers

#### (i) *Disaggregated revenue information*

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

#### (ii) *Performance obligations*

##### *Clinical Testing Service*

The performance obligation is satisfied upon delivery of the testing report and the payment is generally due within 30 days from the date of billing, except for individual customers, where payment in advance is normally required.

##### *Testing services for R&D projects and others*

Under testing services for R&D projects and others, revenue is recognised at the amount to which the Group has the right to invoice for services performed. Therefore, under practical expedient allowed by IFRS 15, the Group does not disclose the value of unsatisfied performance obligation.

## 5. PROFIT BEFORE TAX

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

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

## 6. INCOME TAX

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

### Cayman Islands

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

### Singapore

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

## Hong Kong

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

## Mainland China

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

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

### Notes:

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

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

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

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

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

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

The calculation of basic profit per share is based on:

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

## 8. PROPERTY, PLANT AND EQUIPMENT

|  | Buildings<br><i>RMB'000</i> | Laboratory<br>equipment<br><i>RMB'000</i> | Transportation<br>equipment<br><i>RMB'000</i> | Other<br>equipment<br><i>RMB'000</i> | Leasehold<br>improvements<br><i>RMB'000</i> | Construction<br>in progress<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|--|-----------------------------|---|---|--------------------------------------|---|---|-------------------------|
| <b>30 June 2023(Unaudited)</b>                     |                             |   |   |                                      |   |   |                         |
| At 1 January 2023                                  |                             |   |   |                                      |   |   |                         |
| Cost   | 232,154                     | 254,046                                   | 6,551   | 36,585                               | 114,655                                     | 5,096   | 649,087                 |
| Accumulated depreciation                           | (5,931)                     | (177,131)                                 | (3,922)                                       | (22,398)                             | (60,987)                                    | -   | (270,369)               |
| Net carrying amount                                | <u>226,223</u>              | <u>76,915</u>                             | <u>2,629</u>                                  | <u>14,187</u>                        | <u>53,668</u>                               | <u>5,096</u>                                  | <u>378,718</u>          |
| At 1 January 2023, net of accumulated depreciation |                             |   |   |                                      |   |   |                         |
| Additions  | -                           | 42,976                                    | 267   | 3,214                                | 1,606                                       | 35,095  | 83,158                  |
| Transfer   | -                           | -   | -   | -                                    | 1,706                                       | (1,706)                                       | -                       |
| Disposals  | -                           | (3,420)                                   | (11)  | (31)                                 | (420)                                       | -   | (3,882)                 |
| Acquisition of a subsidiary                        | -                           | -   | -   | -                                    | -   | -   | -                       |
| Depreciation provided during the period            | (2,653)                     | (13,671)                                  | (367)   | (2,502)                              | (5,998)                                     | -   | (25,191)                |
| At 30 June 2023, net of accumulated depreciation   | <u>223,570</u>              | <u>102,800</u>                            | <u>2,518</u>                                  | <u>14,868</u>                        | <u>50,562</u>                               | <u>38,485</u>                                 | <u>432,803</u>          |
| At 30 June 2023:                                   |                             |   |   |                                      |   |   |                         |
| Cost   | 232,154                     | 291,941                                   | 6,600   | 39,353                               | 117,547                                     | 38,485  | 726,080                 |
| Accumulated depreciation                           | (8,584)                     | (189,141)                                 | (4,082)                                       | (24,485)                             | (66,985)                                    | -   | (293,277)               |
| Net carrying amount                                | <u>223,570</u>              | <u>102,800</u>                            | <u>2,518</u>                                  | <u>14,868</u>                        | <u>50,562</u>                               | <u>38,485</u>                                 | <u>432,803</u>          |

|  | Buildings<br>RMB'000 | Laboratory<br>equipment<br>RMB'000 | Transportation<br>equipment<br>RMB'000 | Other<br>equipment<br>RMB'000 | Leasehold<br>improvements<br>RMB'000 | Construction<br>in progress<br>RMB'000 | Total<br>RMB'000 |
|--|----------------------|------------------------------------|--|-------------------------------|--------------------------------------|--|------------------|
| <b>30 June 2022(Unaudited)</b>                     |                      |                                    |  |                               |                                      |  |                  |
| At 1 January 2022                                  |                      |                                    |  |                               |                                      |  |                  |
| Cost   | 219,996              | 212,922                            | 5,738                                  | 32,676                        | 93,901                               | 4,824                                  | 570,057          |
| Accumulated depreciation                           | (827)                | (142,673)                          | (3,724)                                | (18,497)                      | (49,434)                             | -                                      | (215,155)        |
| Net carrying amount                                | <u>219,169</u>       | <u>70,249</u>                      | <u>2,014</u>                           | <u>14,179</u>                 | <u>44,467</u>                        | <u>4,824</u>                           | <u>354,902</u>   |
| At 1 January 2022, net of accumulated depreciation | 219,169              | 70,249                             | 2,014                                  | 14,179                        | 44,467                               | 4,824                                  | 354,902          |
| Additions  | -                    | 21,012                             | 586                                    | 3,345                         | 12,815                               | 10                                     | 37,768           |
| Transfer   | -                    | -                                  | -                                      | -                             | 4,529                                | (4,529)                                | -                |
| Disposals  | -                    | (5,480)                            | (7)                                    | (208)                         | -                                    | (148)                                  | (5,843)          |
| Acquisition of a subsidiary                        | -                    | 39                                 | -                                      | 24                            | 260                                  | -                                      | 323              |
| Depreciation provided during the period            | (2,518)              | (11,581)                           | (294)                                  | (2,573)                       | (5,497)                              | -                                      | (22,463)         |
| At 30 June 2022, net of accumulated depreciation   | <u>216,651</u>       | <u>74,239</u>                      | <u>2,299</u>                           | <u>14,767</u>                 | <u>56,574</u>                        | <u>157</u>                             | <u>364,687</u>   |
| At 30 June 2022:                                   |                      |                                    |  |                               |                                      |  |                  |
| Cost   | 219,996              | 228,176                            | 6,186                                  | 35,831                        | 111,640                              | 157                                    | 601,986          |
| Accumulated depreciation                           | (3,345)              | (153,937)                          | (3,887)                                | (21,064)                      | (55,066)                             | -                                      | (237,299)        |
| Net carrying amount                                | <u>216,651</u>       | <u>74,239</u>                      | <u>2,299</u>                           | <u>14,767</u>                 | <u>56,574</u>                        | <u>157</u>                             | <u>364,687</u>   |

## 9. TRADE AND BILLS RECEIVABLES

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

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

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

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

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

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

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

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

| <b>As at 30 June 2023</b>     |                       |                  |                       |
|-------------------------------|-----------------------|------------------|-----------------------|
|                               | <b>Amount</b>         | <b>Expected</b>  | <b>Impairment</b>     |
|                               | <b><i>RMB'000</i></b> | <b>loss rate</b> | <b><i>RMB'000</i></b> |
|                               | <b>(Unaudited)</b>    | <b>%</b>         | <b>(Unaudited)</b>    |
| Individually assessed:        | 37,206                | 51.22            | 19,055                |
| Measured by provision matrix: |                       |                  |                       |
| Within 1 year                 | 398,209               | 2.41             | 9,583                 |
| 1 year to 2 years             | 132,038               | 8.10             | 10,698                |
| 2 years to 3 years            | 44,712                | 20.91            | 9,351                 |
| 3 years to 4 years            | 22,569                | 34.27            | 7,735                 |
| 4 years to 5 years            | 13,047                | 34.05            | 4,443                 |
| Over 5 years                  | 6,076                 | 74.80            | 4,545                 |
|                               | <b>653,857</b>        |                  | <b>65,410</b>         |
|                               | <b>653,857</b>        |                  | <b>65,410</b>         |
| <b>As at 31 December 2022</b> |                       |                  |                       |
|                               | <b>Amount</b>         | <b>Expected</b>  | <b>Impairment</b>     |
|                               | <b><i>RMB'000</i></b> | <b>loss rate</b> | <b><i>RMB'000</i></b> |
|                               | <b>(Audited)</b>      | <b>%</b>         | <b>(Audited)</b>      |
| Individually assessed:        | 37,206                | 50.06            | 18,626                |
| Measured by provision matrix: |                       |                  |                       |
| Within 1 year                 | 501,504               | 2.27             | 11,388                |
| 1 year to 2 years             | 76,705                | 9.45             | 7,249                 |
| 2 years to 3 years            | 44,678                | 20.63            | 9,216                 |
| 3 years to 4 years            | 22,809                | 33.08            | 7,545                 |
| 4 years to 5 years            | 7,658                 | 53.50            | 4,097                 |
| Over 5 years                  | 5,558                 | 94.80            | 5,269                 |
|                               | <b>696,118</b>        |                  | <b>63,390</b>         |
|                               | <b>696,118</b>        |                  | <b>63,390</b>         |

## 10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

Analysed into:

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

The balances are not secured by collateral.

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

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

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

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

## 11. TIME DEPOSITS

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

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

## 12. FINANCIAL ASSETS AT FVTPL

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

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

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

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

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

### 13. TRADE AND BILLS PAYABLES

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

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

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

### 14. OTHER PAYABLES AND ACCRUALS

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

\* *Other payables are unsecured, non-interest-bearing and repayable on demand. The fair values of other payables at the end of each of the reporting periods approximated to their corresponding carrying amounts.*

### 15. SHARE CAPITAL/TREASURY SHARES

#### Issued and fully paid

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

## Share Capital

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

## Treasury Shares

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

### Notes:

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

## 16. STOCK INCENTIVE PLANS

### i. Pre-IPO Stock Incentive Plans

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

Details of Pre-IPO Scheme granted are as follows:

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

Notes:

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

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

The following share options were outstanding during the reporting periods:

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

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

### ii. Post-IPO RSU Scheme

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

## 17. EVENTS AFTER THE REPORTING PERIOD

The Group has no material events after the reporting period.

## OTHER INFORMATION

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

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

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

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

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

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its affairs are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all Shareholders.

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

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

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

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. As of the date of this announcement, all the Directors have strictly complied with the Model Code.

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

## **AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION**

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

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

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

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

This interim results announcement is published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.kindstar.com.cn](http://www.kindstar.com.cn)). The interim report of the Company for the six months ended June 30, 2023 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the same websites in due course.

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

Hong Kong, August 18, 2023

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