



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

(Incorporated in the Cayman Islands with limited liability)

*2021 Interim Report*





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# Definitions

“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“CG Code”	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
“Company,” “our Company” or “the Company”	Kindstar Globalgene Technology, Inc., an exempted company with limited liability incorporated under the laws of the Cayman Islands, the shares of which are listed on the Main Board
“COVID-19”	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
“Director(s)”	the director(s) of the Company
“Global Offering”	the global offering of the Shares in connection with the Listing
“Group,” “our Group,” “the Group” or “we”	the Company and its subsidiaries (including the PRC Consolidated Entities)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
“Kindstar Global Wuhan”	Kindstar Global (Wuhan) Medical Esoteric Technology Co., Ltd. (康聖環球(武漢)醫學特檢技術有限公司), a limited liability company established in the PRC and a PRC Consolidated Entity
“Kindstar Zhenyuan”	Wuhan Kindstar Zhenyuan Medical Laboratory Co., Ltd. (武漢康聖真源醫學檢驗有限公司), a limited liability company established under the laws of the PRC and a PRC Consolidated Entity
“Latest Practicable Date”	September 24, 2021, being the latest practicable date for the purpose of ascertaining certain information contained in this report prior to its publication
“Listing”	the listing of the Shares on the Main Board on the Listing Date
“Listing Date”	July 16, 2021, on which dealings in the Shares first commenced on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Post-IPO Option Scheme”	the post-IPO share option scheme adopted by the Company on June 22, 2021
“Post-IPO RSU Scheme”	the post-IPO restricted share unit scheme adopted by the Company on June 22, 2021
“PRC”	the People’s Republic of China, but for the purpose of this report and for geographical reference only and except where the context requires otherwise, references in this report to the “PRC” do not apply to Hong Kong, the Macau Special Administrative Region and Taiwan
“PRC Consolidated Entity(ies)”	entity(ies) whose financial results have been consolidated and accounted for as subsidiaries of the Company by virtue of variable interest entity structure
“Pre-IPO Stock Incentive Plans”	the pre-IPO stock incentive plans adopted by the Company on March 14, 2013, December 20, 2015 and December 1, 2016
“Prospectus”	the prospectus of the Company dated June 29, 2021
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company with a par value of US\$0.00025 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of the United States
“Wuhan Kindstar”	Wuhan Kindstar Medical Laboratory Co., Ltd. ( 武漢康聖達醫學檢驗所有限公司 ), a limited liability company established under the laws of the PRC and a PRC Consolidated Entity
“%”	per cent

In this report, the terms “associate,” “close associate,” “connected person,” “connected transaction,” “continuing connected transaction,” “controlling shareholder,” “core connected person,” “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

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

# Corporate Information

## Board of Directors

### Executive Directors

Dr. Huang Shiang (*Chairman and Chief Executive Officer*)

Mr. Tu Zanbing

Ms. Chai Haijie

### Non-executive Directors

Mr. Huang Zuie-Chin

Mr. Peng Wei

Ms. Huang Lu

### Independent Non-executive Directors

Dr. Yao Shanglong

Dr. Xia Xinping

Mr. Gu Huaming

## Audit Committee

Dr. Xia Xinping (*Chairman*)

Mr. Huang Zuie-Chin

Mr. Gu Huaming

## Remuneration Committee

Mr. Gu Huaming (*Chairman*)

Dr. Xia Xinping

Mr. Tu Zanbing

## Nomination Committee

Dr. Huang Shiang (*Chairman*)

Dr. Yao Shanglong

Dr. Xia Xinping

## Joint Company Secretaries

Ms. Chai Haijie

Ms. Chan Wai Ling

## Authorized Representatives

Ms. Chai Haijie

Ms. Chan Wai Ling

## Hong Kong Legal Advisors

Miao & Co. (In Association with Han Kun Law Offices)

Rooms 3901-05, 39/F

Edinburgh Tower, The Landmark

15 Queen's Road Central

Hong Kong

## Auditor

Ernst & Young

*Certified Public Accountants*

*Registered Public Interest Entity Auditor*

27/F One Taikoo Place

979 King's Road

Quarry Bay

Hong Kong

## Compliance Adviser

Somerley Capital Limited

20/F China Building

29 Queen's Road Central

Hong Kong

## Registered Office

P.O. Box 472, 2nd Floor

Harbour Place, 103 South Church Street

George Town, Grand Cayman KY1-1106

Cayman Islands

## Head Office and Principal Place of Business in the PRC

Biolake D2-1, 666 Gaoxin Road  
East Lake High Tech Zone  
Wuhan, Hubei  
PRC

## Principal Place of Business in Hong Kong

Level 54  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

## Company's Website

[www.kindstar.com.cn](http://www.kindstar.com.cn)

## Principal Share Registrar

International Corporation Services Limited  
Harbour Place  
2nd Floor  
103 South Church Street  
P.O. Box 472  
George Town  
Grand Cayman KY1-1106  
Cayman Islands

## Hong Kong Share Registrar

Tricor Investor Services Limited  
Level 54  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

## Principal Banks

Standard Chartered Bank (HK) Limited  
China Merchants Bank Wuhan Branch  
CITIC Bank Optics Guanggu Free Trade Zone Branch

## Stock Code

9960



# Business Review and Outlook

## Business Review

### Research and Development (“R&D”) and Collaboration

#### Progress in In-House R&D Activities

Strong R&D capabilities and continuous inputs into R&D play a key role in our business operation. Our research and development costs increased by 33.3% as compared to the corresponding period of 2020. We have internally developed approximately 1,200 testing items since our inception. Our R&D projects are classified into four categories: (1) proprietary projects, (2) improved projects, (3) procedure development projects and (4) verification projects. In the first half of 2021, 46 new R&D projects were added to our agenda, including 22 proprietary projects and 24 other projects. These R&D projects are based on advanced technical platforms such as spectral flow optometry, next-generation sequencing, Liquid Chromatography-Mass Spectrometry (LC-MS), quantitative polymerase chain reaction (PCR), and fluorescence in situ hybridization (FISH), and involve a wide range of diseases including hematological diseases, oncology, generic diseases, infectious diseases, neurological diseases and autoimmune diseases. These projects serve to improve our testing items designed for the said diseases, offer grounds for diagnosis and therapeutic guidance of relevant diseases and solve problems for more patients. We developed and use a number of proprietary methodologies analytics, systems, technologies, trade secrets, know-how and other intellectual property during the conduct of our R&D activities and our business. As of June 30, 2021, we had 48 registered patents and 14 patent applications. Three to five invention patent applications, and two to four utility patent applications and software copyright applications are expected to be filed before October 2021. We continued our emphasis on academic driven marketing activities and attended various international and national academic conferences and authored a number of papers in the first half of 2021, including one Science Citation Index (SCI) paper published on Clinical and Translational Oncology, seven other papers have been accepted and five are being reviewed.

#### Application of Artificial Intelligence (“AI”) Technology to Esoteric Testing Laboratory

We have achieved breakthrough progress in our proprietary peripheral blood chromosome AI software, which has increased the precision of identification and classification to 97% or higher. The system was officially launched in June 2021 and has effectively eased the shortage of manpower of our hematological testing platform, shortened the test reporting cycle, and significantly improved service quality and user experience. The independently developed bone marrow chromosome AI software system is in the middle of model training, and making progress well on par with AI developments of comparable products over the same period of time. Once it is mature and applied, it is expected to take the technical strength, efficiency, precision and novelty of our hematology testing service to the next level. Furthermore, our hematopathology platform is in the process of assessing the efficiency, accuracy, and cost-effectiveness of AI equipment for bone-marrow-cell analysis and is expected to install such an equipment in the second half of 2021.

#### Collaboration with Third Parties

In addition, we have teamed up with scientific research institutes, universities and other biotechnology companies on R&D in the following fields:

- **Hematology**

We have imported a fully commercialized single cell sequencing product from a U.S.-based company and partnered with Peking University Institute of Hematology to carry out clinical verification and trials of relevant products in China.



Once launched, we will be the first service provider in China to provide multi-faceted test information on a single cell of hematological cancer based on single cell sequencing technology. The test will help physicians probe into multiple tumor cell clones, get a deep understanding of the evolution and relapse mechanism of cancer, evaluate the efficacy and risk of relapse in patients comprehensively, and provide individualized precise medicine.

We have teamed up with Peking University Institute of Hematology to jointly develop a hematological cancer comprehensive evaluation system based on the single cell sequencing technology. The system draws upon the past experience of Peking University Institute of Hematology in clinical diagnosis and detection and is expected to create products that will contribute to clinical exploration into the root of heterogeneity of hematological cancer. With the large number of applications, it is possible to discover new gene targets for detection or treatment.

We entered into an exclusive technology transfer contract on FLT3-ITD mutation diversity test identifying FLT3-ITD mutations' diversity with Beijing Institute of Genomics Chinese Academy of Sciences (China National Center for Bioinformation). FLT3 mutation is the most common genetic alteration related to poor prognosis in human myeloid malignancies. Its internal tandem duplication (ITD) is a key biomarker for risk stratification by genetics of acute myeloid leukemia (AML) according to NCCN Clinical Practice Guidelines in Oncology. About 10–40% of patients with FLT3-ITD-positive AML have “genetic diversity of FLT3-ITD.” The existence of FLT3-ITD diversity suggests resistance to induction chemotherapy and worse prognosis of AML patients, who requires more refined prognosis classification and adaptation of treatment strategies to achieve better clinical efficacy in the long run. By importing this technology, we have made a breakthrough in our service capabilities in AML diagnosis, detection and prognosis evaluation and filled a gap in China.

- ***Maternity-related***

Precocious puberty (“PP”) is among the most important diseases in the pediatric endocrinology discipline. Along with global social and economic development, the incidence of PP has risen noticeably and the incidence among Chinese children doubled over a decade, leaving a heavy burden on families and the society as a whole. PP is defined as rapid development of reproductive organs and the appearance of secondary sex characteristics before the age of eight years in girls and nine years in boys. PP has attracted attention widely, but owing to the absence of early-stage screening indicators and simple and easy diagnosis criteria, many patients cannot receive timely diagnosis and treatment and suffer as a result for life.

In order to work out a complete set of early-stage PP screening criteria, diagnosis criteria and treatment and detection methods well suited to Chinese children, we have joined “A Study of the Practical Value of Urina Sanguinis in Precocious Puberty Screening and Diagnosis among Chinese Children” led by Tongji Hospital affiliated to Tongji Medical College of Huazhong University of Science and Technology, which covers eleven children’s hospitals in Beijing, Shanghai, Guangzhou, Sichuan, Chengdu, Jiangxi, Fujian and Hainan. As the only testing service provider participating in the program, we will provide all testing services for the study. Relevant testing projects have begun. Those testing products fully proven by clinical studies will be put into trial use at the eleven participating hospitals first, before nationwide roll-out. This study has created an important opportunity for us to grab a larger share of the pediatric endocrinology market.

## Business Review and Outlook

- **Oncology**

We continued to explore the application of pan-cancer methylation markers to main cancer types. A research group led by Professor Yu Wenqiang at the Institutes of Biomedical Sciences Fudan University, and Shanghai Public Health Clinical Center has been working on DNA methylation for more than 20 years. We will deepen our collaboration with the research group led by Professor Yu and Shanghai EpiProbe Biotechnology Co., Ltd., and explore the application of pan-cancer methylation markers to early-stage tumor screening and diagnosis, assessment of the effectiveness of immunotherapy and relapse detection.

## Business

### Development of Existing Business Lines

- **Hematology**

The hematology business line unveiled twelve new projects in the first half of 2021. In particular, the lymphoma large gene panel R&D project was successfully completed. Technically, with average sequencing depth up to 10000X–20000X, our laboratory realized DNA and cell-free DNA (cfDNA) deep sequencing, on different types of clinical specimens (bone marrow, peripheral blood and tissue specimens). With the implementation of the project, the threshold of mutation test was adjusted so that the test results may reflect the true tumor mutation spectrum in the patients' bodies more accurately. More importantly, we significantly upgraded data analysis on biological information of test results, and on the basis of available public database and our self-developed Chinese patient demographics database, we added lymphoma-related disease patent databases and other subscription-based databases to enable more complete and accurate analysis of patients' test results.

Moreover, based on feedback from physicians, new indicators for the six sub-types of hematological malignancies covered by our hematology testing service line were added to reflect the latest medical developments and guidelines. Furthermore, the laboratory technologies were optimized and readapted, and laboratory data interpretation, processes and methodology were improved and upgraded.

- **Neurology**

Our neurology testing service line took advantage of its variety and methodology of neuroimmune programs, and rolled out academic promotion widely. In the first half of 2021, we added 60 new cooperative hospitals, including 50 Class III hospitals. The serum screening verification tests on one diagnostic antibody for asthenic bulbar paralysis and one diagnostic antibody for autoimmune autonomic gangliopathy were completed and clinical assay is expected to take place in late August 2021. We are stepping up R&D of the remaining 29 neuroimmune antibodies on our list of ongoing researches, so as to meet the demand from clinical testing and scientific research. A neuroimmune laboratory is being built together with Jiangxi Provincial People's Hospital and is expected to be ready for use by September 2021, with laboratory devices and instruments, and operators already in place.

- **Maternity-related**

The diagnosis of pregnancy syndrome was added to the portfolio of prenatal tests. A disease diagnosis solution that combines pregnancy syndrome (such as gestational diabetes mellitus and gestational hypertension) and multi-omics is being produced and perfected. The diagnosis solution is used to identify biomarkers that are suited to the prediction and diagnosis of diseases related to pregnancy syndrome and offer a total solution to the health of both mothers and babies.

- **Genetic disease and rare disease**

During the first half of 2021, sales of multiple steroid hormone tests soared by 253% compared to that in 2020. Our clients in the pediatric endocrinology segment have begun to accept our products and technologies at a higher degree in the last couple of years. Fast, accurate and complete multiple steroid hormone tests may aid in clinical diagnosis and differentiation of congenital adrenal hyperplasia (CAH) diseases. With respect to mutant sites of unknown significance in genomics, we may give additional explanations from a metabonomics perspective. Meanwhile, the effect on patients taking medication for life can be monitored. The cases were shared and applauded at the National Pediatric Endocrinology Genetic Metabolic Diseases Symposium and other themed conferences. Our market share has kept growing strongly.

- **Infectious disease**

During the first half of 2021, we added four infectious pathogen testing items, among which the mycobacterium tuberculosis (M. tb) rpoB gene and mutation detection (supersensitivity) item is able to detect a smaller amount of M. tb existing in the specimens with a higher sensitivity than traditional testing techniques, and at the same time identify resistance to rifampicin, a drug widely used to treat tuberculosis, making it possible to discover tuberculosis infection and drug-resistant tuberculosis clinically as early as possible and create a chance to treat and cure tuberculosis. The respiratory pathogens nucleic acid combined test can screen respiratory infectious pathogens (viruses/bacteria, etc.) commonly seen in human body, enable physicians to confirm or rule out respiratory infection more quickly and thus provide strong support to fast clinical diagnosis and treatment.

- **Oncology**

The Healthy China 2030 Blueprint unveiled by the State Council in 2016 called for efforts on early diagnosis and treatment of major cancers in high-prevalence areas and set the goal to increase 15% of the overall five-year survival rate for cancers by 2030. The Government's Work Report 2019 wrote "actions must be taken to fight cancers, promote preventive screening, early diagnosis and treatment, conquer key technical challenges, and save the people from the pains." In August 2020, the Ministry of Science and Technology launched "The R&D and Application of Early Screening and Diagnosis Technologies for Prevalent Malignant Tumors," a key program aiming to build a high-sensitivity, high-specificity malignant tumor early screening and diagnosis technical system for highly prevalent gastrointestinal cancer and lung cancer in China. Early screening and diagnosis of tumors is considered one of the most effective ways to increase the five-year survival rate for cancers.

In the early tumor screening and diagnosis segment, we have introduced products and technologies for intestinal cancer, cervical carcinoma and carcinoma of urinary bladder, among other cancers. With these products, we will team up with hospitals to provide clinical screening of high-risk patients and auxiliary diagnosis of suspected patients. In the tumor relapse dynamic monitoring segment, we have brought in precise relapse monitoring products for intestinal cancer, cervical carcinoma and carcinoma of urinary bladder, to enable postoperative relapse monitoring of patients and assessment of treatment effectiveness.

# Business Review and Outlook

## Development of New Business Lines

### Cardiovascular Diseases in Adults

Cardiovascular diseases (“CVD”) remain the leading cause of death of the Chinese, accounting for more than 40% of all deaths from diseases, with a higher mortality rate than tumors and other diseases, according to data provided by Chinese Circulation Journal, and National Center for Cardiovascular Diseases. The prevalence of CVD is on the rise in China, and given accelerated population aging, the figure will continue to grow.

Along with the development of genomics, transcriptomics, proteomics and metabonomics, NGS diagnosis and biomarkers (cell factors, enzymes, microRNAs and lipid metabolites, etc.) have the potential to become integrated management tools used in CVD screening, diagnosis and treatment.

We have started the verification and study of the value of biomarker series of CVD such as CVD in adults, acute myocarditis and acute myocardial infarction in clinical applications, with an aim to ascertain the specificity and sensitivity of biomarker series in multi-center, large-sample disease prediction, diagnosis and detection, and next forming testing items that can be done regularly in clinical practices. A comprehensive diagnostic service solution integrating the multi-omics technology will be produced to provide CVD patients with multi-purpose products and services, such as super-early prediction, fast assay for acute cases and prognosis tracking.

Rheumatoid immunity is a new field we began to set foot in. We plan to start with six disease and medicine testing items, namely, sicca syndrome, rheumatoid arthritis, ankylosing spondylitis, arthrolithiasis, antiphospholipid syndrome and allopurinol. Efforts on clinical studies and R&D are made in parallel to support rheumatoid immunity diagnosis and treatment.

### Contract Research Organizations (“CRO(s)”) and Research Services

We added 20 new CRO and research service projects in the first half of 2021, and the major projects are described as follows:

In the hematology segment, we are conducting joint R&D with some renowned medical centers, improving the chimeric antigen receptor T (“**CAR-T**”) clinical trial enrolled patient total monitoring solution, involving tests of several cutting-edge indicators, actively exploring monitored indicators and testing technologies that can effectively avoid adverse reactions and other threats to clinical safety, raise the success rate of cell therapy, and reduce the risks and economic losses caused to patients. The CAR-T therapy, which is currently undergoing clinical trial, will gradually open up an enormous testing market opportunity related to the CAR-T therapy. Thanks to our unswerving R&D effort and continuous investment in this field, we have put in place a full-fledged and state-of-the-art CAR-T therapy detection product system, and teamed up with leading players in CAR-T therapy, on market applications and joint R&D of multiple products. In addition, a well-known hospital in China launched a multi-center study of adult acute lymphoblastic leukemia (“**ALL**”) expression profiling. As a participant and laboratory service provider in the study, we aim to explore new refined stratification, diagnosis and prognosis indicators for adult ALL patients, offer more accurate guidance as to the choice of clinical therapies, enrich the ALL product portfolio, and further strengthen our leading position in the adult ALL segment.

In the neurology segment, the myasthenia gravis project implemented together with West China Hospital, Sichuan University was wrapped up and submitted for censorship in the first half of 2021. Meanwhile, an Apolipoprotein E (APOE) gene project was being carried out together with Sichuan Provincial People’s Hospital.

In the infectious diseases segment, we offer cellular level, molecular level and other scientific research services in the virus/bacterium infection field and other infection-related fields to six hospitals, including The First Affiliated Hospital of Zhengzhou University and The First Affiliated Hospital of Xi'an Jiaotong University.

CRO cooperation agreements have been concluded with dozens of Chinese and foreign leading pharmaceutical companies, including Otsuka Pharmaceutical and Guangdong HEC Pharma. New projects cover CAR-T immunotherapy, multiple myeloma treatment and other hematological tumor therapies, and span Phase I to III clinical trials. One Phase-II clinical trial undertook in the first half of 2021 passed on-site examination by the Center for Drug Evaluation, National Medical Products Administration, offering solid support to the applicant for quicker product registration. Guided by the service philosophy that "Clients' projects are our projects," we are giving support to the pharmaceutical R&D activities of more biomedicine companies at home and abroad, with our robust esoteric testing capabilities, as well as high-quality and professional central lab management services, and thereby solve the problems in medication and treatment of more clinical patients, especially those with malignant hematological disorders.

### Qualifications and Government Grants

Wuhan Kindstar, our subsidiary, provides customers with various sample transportation modes such as liquid nitrogen, dry icing and constant temperature, as well as professional technical services such as door-to-door delivery within twelve hours in most cities in China, so as to maintain the activity and stability of samples and ensure reliability of the test results. On July 27, 2021, we obtained the Certificate of Enterprise Compliance with the National Standard of "Pharmaceutical Cold Chain Operation Standard" issued by the Cold Chain Logistics Sub-Committee of the National Logistics Standardization Technical Committee and the China Logistics and Procurement Joint Committee, which is a great recognition of Wuhan Kindstar's work in sample cold chain logistics transportation.

In the first half of 2021, Wuhan Kindstar received a special subsidy from the Hubei Provincial Development and Reform Commission in relation to the big health industry in Hubei Province, rewarding our significant contributions to the development of the big health industry in Hubei Province. In addition, we were awarded by the Science and Technology Department of Hubei Province for actively carrying out the construction of scientific research and testing platforms after the outbreak of COVID-19 in 2020, making significant contributions to the detection of major infectious diseases.

We added a new laboratory in Wuhan. In August 2021, Kindstar Zhenyuan, our subsidiary, obtained the Medical Institution Practicing License approved by the Health Commission of Wuhan Municipal to carry out the testing of corresponding specimens for clinical body fluid, blood specialty, clinical microbiology specialty, clinical chemical testing specialty, clinical immunology, serology specialty and clinical cell molecular genetics specialty. The laboratory focuses on diagnostic testing services in the area of infectious disease. By establishing an infectious disease laboratory for specific specialties, we will be able to provide more professional and efficient services to our customers, which will further strengthen our expertise in this field.

Our subsidiary, Tianjin Kindstar Medical Laboratory Co., Ltd., obtained the Medical Device Operation License issued by the Market Supervision and Administration Bureau of Dongli District, Tianjin in April 2021, which allows it to conduct business activities under 6840 In Vitro Diagnostic Reagents Classification Sub-catalog.

## Business Review and Outlook

Our subsidiary, Wuhan Kindstar, is a key member of the Pathology Committee of the Chinese Non-Government Medical Institutions Association and the Pathology and Quality Control Center (PQCC) of the National Health Commission of the PRC, responsible for the formulation of the standard operation procedure (SOP) for the myeloid biopsy inspection project, formulation of various chemical dyeing standards and provision of inter-laboratory comparative samples for other member units. The purpose of the said organizations is to improve the quality status of hematological tumor-related esoteric testing projects, strengthen clinical and laboratory communications (especially with third-party testing institutions), and further improve the overall pathological diagnosis level of malignant hematological diseases, and to improve the hematological pathology diagnosis capability. The project intends to take myeloproliferative neoplasms (MPN) as the starting point, improve the quality and level of pathological diagnosis of chronic myelogenous leukemia and myelofibrosis (MF) and other diseases by establishing and implementing quality evaluation activities for key diagnosis projects/indicators, conducting laboratory related personnel training and strengthening clinical and laboratory communications, so as to facilitate the early diagnosis and treatment of clinical MPN and bring more benefits to patients.

## Corporate Governance

In order to provide more professional, effective and standardized human resources services and improve the operational efficiency of various human resources tasks and employee service satisfaction, our Company began to plan for the establishment of our human resources sharing center in the first half of 2021, which officially commenced operation on August 1, 2021. While providing centralized, standardized and high-quality services to our employees, our human resources sharing center assists our headquarters and subsidiaries in performing various functions of human resources management, and strives to build a “three-in-one” capability platform of standardized services, information support and strategic consultation.

## Social Responsibility

In January 2021, Kindstar Global (Wuhan) Medical Esoteric Technology Co., Ltd., our subsidiary, was awarded the honorary title of “Excellent High and New Technology Enterprise for 2020–2021” by the Wuhan High and New Technology Industry Association, which further highlights our Group’s leading edges and important status in business model and technological innovation. In April 2021, Wuhan Kindstar attended the third meeting of the first council of the Wuhan High and New Technology Industry Association and the launch of the “Eagle Project” as a member of the council. We will actively participate in the promotion of innovation in the high and new technology industry and collaborate with other market players to cultivate a support system for high-growth enterprises and jointly create a good innovation ecology. In May 2021, Wuhan Kindstar entered into a service agreement with Beijing Bethune Charitable Foundation to participate in the “Medical Road Together — Bethune Life Support Station — Hematological Tumor Patient Support and Care” project, providing patients with leukemia, lymphoma, myeloma and other hematological tumors with an integrated service with more durable and effective medical treatment, and relieving their doubts during the treatment process.

At the same time, Wuhan Kindstar also continues to participate in the “Science and Technology Against Epidemics — Advanced Technology Promotion and Application ‘Hundred Cities and Hundred Parks’ Campaign” jointly launched by the Ministry of Science and Technology and the Ministry of Finance, to contribute to the construction of public service platform for accurate testing of major infectious diseases such as COVID-19 and the enhancement of the ability to convert scientific and technological achievements into service improvement.

After 14 months, the Wuhan Epidemic Prevention and Control Headquarter reported seven cases of out-of-province related locally found COVID-19 on August 2, 2021. On August 3, 2021, Wuhan announced the launch of nucleic acid testing for all residents in the city. In response to the new cases, we promptly purchased and put in place more than 20 PCR testing devices, arranged a testing team of more than 500 people to work in three shifts, and quickly gathered a professional sampling team to accommodate the government's epidemic prevention work with such "Kindstar Speed." As of August 18, 2021, the coverage of our COVID-19 testing service included Beijing City and Hubei Province, where we had performed more than 3.0 million COVID-19 nucleic acid tests.

## Financial Highlights

	For the six months ended		Year-on-year change %
	June 30, 2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	
Revenue	<b>438,200</b>	429,513	2.0
— Non-COVID-19-related testing <sup>(1)</sup>	<b>427,641</b>	335,772	27.4
— COVID-19-related testing	<b>10,559</b>	93,741	(88.7)
Gross profit	<b>233,753</b>	213,336	9.6
Gross margin	<b>53.3%</b>	49.7%	—
Adjusted net income <sup>(2)</sup>	<b>28,966</b>	39,574	(26.8)
Adjusted net margin <sup>(3)</sup>	<b>6.6%</b>	9.2%	—

Notes:

- (1) Includes hematology testing, neurology testing, maternity-related testing, genetic disease and rare disease testing, infectious disease testing, oncology testing, routine testing and others.
- (2) For calculation and details of our adjusted net income, see "Management Discussion and Analysis — Non-IFRS Measures: Adjusted Net Income."
- (3) Equals adjusted net income divided by revenue for the period and multiplied by 100%.

For the six months ended June 30, 2021, we recorded a total revenue of RMB438.2 million, representing an increase of RMB8.7 million or 2.0% from RMB429.5 million for the corresponding period in 2020. Among which, revenue generated from the COVID-19-related and non-COVID-19-related testing services for the six months ended June 30, 2021 were RMB10.6 million and RMB427.6 million, respectively. As a result of the effective control of the COVID-19 pandemic in China, revenue generated from COVID-19-related testing service decreased and accounted for a lower proportion of our revenue in the six months ended June 30, 2021 as compared to the corresponding period in 2020. In contrast, the revenue generated from non-COVID-19-related testing services recorded an increase of 27.4% as compared to the corresponding period in 2020 despite the continuous impact of the COVID-19 pandemic.



## Business Review and Outlook

### Gross Profit and Gross Profit Margin

For the six months ended June 30, 2021, we recorded a consolidated gross profit of RMB233.8 million, representing a year-on-year increase of 9.6%, of which the gross profit related to COVID-19-related and non-COVID-19-related testing services were RMB5.3 million and RMB228.5 million, respectively. The gross profit generated from non-COVID-19-related testing services recorded a year-on-year increase of 28.2%.

Our consolidated gross profit margin for the six months ended June 30, 2021 was 53.3%, representing a year-on-year increase of 3.7%, of which the gross profit margin of non-COVID-19-related testing services increased by 4.6% year-on-year, mainly due to (i) the economies of scale brought by the increase in revenue, (ii) the improvement of management and operation efficiency, and (iii) the impact of COVID-19 pandemic in the corresponding period of 2020.

### Non-IFRS Measures: Adjusted Net Income and Adjusted Net Margin

For the six months ended June 30, 2021, our adjusted net income amounted to RMB29.0 million, representing a decrease of RMB10.6 million or 26.8% as compared with RMB39.6 million for the corresponding period of 2020. For the same periods, our adjusted net margin decreased from 9.2% to 6.6%, which was mainly due to the effect of the change in product mix, i.e. the higher net profit margin contributed by the COVID-19-related testing service contributed to a larger share of our net profit in the first half of 2020 amidst the COVID-19 outbreak as compared to the first half of 2021. Excluding the COVID-19-related testing service, the segment results of non-COVID-19-related services for the reporting period increased by 53.9% as compared with the corresponding period of 2020. For details, please refer to the operating segment results in note 3 to the Accountant's Report.

## Prospects

Our ordinary shares were successfully listed on the Main Board of the Stock Exchange on July 16, 2021. We will continue to adhere to the principle of focusing on hematology and developing product lines such as gynecology, genetics, infectious diseases, tumors and neurology. We will carry out key project development focusing on high-precision technology and clinical needs, such as rapid joint report on immune repertoire, metagenomics, flow type bone marrow morphology, CAR-T screening and monitoring, etc. We are also in the process of building an automated laboratory in an all-round way, increasing the investment in equipment and automation in each laboratory, conducting feasibility assessment on automated equipment and intelligent AI, and putting them into production as soon as possible.

In the second half of 2021, based on the scientific research collaboration projects that have been carried out, we will continue to deepen our penetration in the field of specialty esoteric testing, consolidate the existing market, expand new markets, further strengthen collaboration in various specialty or disease areas, and explore and develop other specialty areas such as organ transplantation, skin, kidney diseases and rheumatic diseases, so as to lay a foundation for the continuous growth of sales volume.

# Management Discussion and Analysis

The table below 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, 2020 to the corresponding period of 2021:

	For the six months ended		Year-on-year change %
	June 30, 2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	
Revenue	438,200	429,513	2.0
Cost of sales	(204,447)	(216,177)	(5.4)
Gross profit	233,753	213,336	9.6
Other income and gains	14,867	11,176	33.0
Selling and marketing expenses	(135,557)	(111,618)	21.4
Administrative expenses	(28,858)	(22,736)	26.9
Research and development costs	(42,360)	(31,774)	33.3
Other expenses	(11,148)	(11,920)	(6.5)
Listing expenses	(20,824)	—	—
Finance costs	(1,121)	(948)	18.2
Profit before fair value loss on financial liabilities at fair value through profit or loss ("FVTPL") and tax	8,752	45,516	(80.8)
Fair value loss on financial liabilities at FVTPL	(1,507,499)	(130,407)	1,056.0
Loss before tax	(1,498,747)	(84,891)	1,665.5
Income tax expense	(610)	(5,942)	(89.7)
<b>Loss for the period</b>	<b>(1,499,357)</b>	<b>(90,833)</b>	<b>1,550.7</b>
Attributable to:			
Owners of the parent	(1,501,702)	(92,207)	1,528.6
Non-controlling interests	2,345	1,374	70.7
<b>Non-IFRS Measure:</b>			
Adjusted net income	28,966	39,574	(26.8)

# Management Discussion and Analysis

## Revenue

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

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

	For the six months ended June 30,			
	2021		2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	<i>(unaudited)</i>		<i>(unaudited)</i>	
Hematology testing	268,269	61.2	209,374	48.7
Neurology testing	38,842	8.9	32,650	7.6
Maternity-related testing	25,326	5.8	24,453	5.7
Genetic disease and rare disease testing	22,097	5.0	15,222	3.5
Infectious disease testing	25,626	5.8	21,049	4.9
Oncology testing	3,809	0.9	2,553	0.6
COVID-19-related testing	10,559	2.4	93,741	21.8
Routine testing	36,826	8.4	25,206	5.9
Others	6,846	1.6	5,265	1.2
<b>Total</b>	<b>438,200</b>	<b>100.0</b>	<b>429,513</b>	<b>100.0</b>

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

	For the six months ended June 30,			
	2021		2020	
	Average price (in RMB)	Testing volume (in thousands)	Average price (in RMB)	Testing volume (in thousands)
Hematology testing	655	410	629	333
Neurology testing	979	40	808	40
Maternity-related testing	176	144	201	122
Genetic disease and rare disease testing	267	83	279	55
Infectious disease testing	191	134	206	102
Oncology testing	385	10	695	4
COVID-19-related testing	35	303	110	850
Routine testing	68	538	80	316
Others	631	11	694	8
<b>Total</b>	<b>262</b>	<b>1,673</b>	235	1,830

The COVID-19 pandemic in 2020 restrained our ability to provide services and reduced the demand for non-COVID-19-related testing services, which in turn limited our revenue growth from non-COVID-19-related testing services. As we gradually recovered from the impact of the pandemic, our total revenue increased steadily by 2.0% from RMB429.5 million for the six months ended June 30, 2020 to RMB438.2 million for the corresponding period of 2021. Such revenue growth is mainly attributable to (i) the increase in demand for medical services with the development of technology, (ii) the expansion of our customer base (especially hospitals), (iii) the increase in demand for testing services from existing hospital customers, and (iv) our leading position in hematology testing service, which paves our way for our growth in other specialties of esoteric testing services, partially offset by (v) a sharp decrease in revenue from COVID-19-related testing service.

- Hematology testing.* Our revenue from hematology testing services for the six months ended June 30, 2021 amounted to RMB268.3 million, representing a year-on-year increase of 28.1%. In the first half of 2021, our hematology testing service line released twelve new testing projects. Leveraging our strong research capabilities, we successfully developed a large gene panel project for lymphoma and further completed the lymphoma gene project. At the same time, we improved our comprehensive testing projects for six major types of hematological tumor sub-diseases and further improved our catalog of hematological tumors, which both led to an increase in our revenue;

## Management Discussion and Analysis

- *Neurology testing.* Our revenue from neurology testing services for the six months ended June 30, 2021 amounted to RMB38.8 million, representing a year-on-year increase of 19.0%. Our neurology testing product line is in a period of rapid growth. We cooperated with more hospital customers, and extended our testing services from neurology to other departments with neuro-immunological testing needs. During the first half of 2021, we also introduced new projects such as myasthenia gravis. The increase in sales led to the rise in the performance of the neurology testing segment;
- *Maternity-related testing.* Our revenue from maternity-related testing services for the six months ended June 30, 2021 amounted to RMB25.3 million, representing a year-on-year increase of 3.6%. Despite the adverse effect caused by the drop in price of non-invasive Down's syndrome testing projects, we have gradually formed and improved the diagnosis plan for pregnancy syndrome diseases so as to further provide comprehensive solutions for maternal and child health. We have gradually formed and improved the multi-omics disease diagnosis plan for pregnancy syndrome (such as gestational diabetes and gestational hypertension, etc.), and recorded an increase in revenue of maternity-related testing;
- *Genetic disease and rare disease testing.* Our revenue from genetic disease and rare disease testing services for the six months ended June 30, 2021 amounted to RMB22.1 million, representing a year-on-year increase of 45.2%. In addition to the increase in the original market coverage of the next-generation sequencing (NGS) genetic business, optimization of testing process and improvement of report service satisfaction, we have also increased the promotion of children's endocrine steroid hormone products, which brought a greater growth of genetic products in the field of children's endocrinology;
- *Infectious disease testing.* Our revenue from infection disease testing services for the six months ended June 30, 2021 amounted to RMB25.6 million, representing a year-on-year increase of 21.7%. The infectious disease product line overcame the impact of the COVID-19 pandemic and swiftly resumed normal operations. During the first half of 2021, we established a specialty laboratory for testing and diagnostic services in relation to infectious diseases. We will be able to provide customers with more professional and efficient services, and will further consolidate our expertise in this field. At the same time, we achieved our increase in revenue during the six months ended June 30, 2021 by launching infectious disease projects in relation to various systems, such as digestive system and respiratory system;
- *Oncology testing.* Our revenue from oncology testing services for the six months ended June 30, 2021 amounted to RMB3.8 million, representing a year-on-year increase of 49.2%. We have introduced new products and technologies in various areas of cancer such as bowel cancer, cervical cancer and bladder cancer, and transformed them into new products and cooperated extensively with hospitals. It resolved the challenges of cancer screening for clinically high-risk patients and auxiliary diagnosis for suspected patients;
- *COVID-19 testing.* As a result of the effective control of the COVID-19 pandemic in China, our revenue from COVID-19 testing services for the six months ended June 30, 2021 decreased by 88.7% year-on-year to RMB10.6 million; and



- Others.** Our other segment results include research and development, CROs and new testing services. Our revenue from others for the six months ended June 30, 2021 amounted to RMB6.8 million, representing a year-on-year increase of 30.0%. We have added nearly 20 CROs and research services in 2021. In the hematology field, we initiated the clinical trial of CAR-T cell treatment. In the neurological field, we carried out the inspection project of the myasthenia gravis. In the field of infectious disease, we provided scientific research services for many large-scale hospitals in the metagenomics field. In addition, we have successively signed CRO cooperation agreements with over ten well-known domestic and foreign pharmaceutical companies to further expand our development in the CRO field. We believe that our services can be widely used by biopharmaceutical companies and CROs and become one of our important revenue drivers, including the discovery of new targets and mechanisms for acquiring medical resistance, retrospective specimen analysis that can quickly identify biomarkers related to drug response and resistance, acceleration of prospective screening of clinical trial registration and patient referrals, prospective research of clinical trials and development of companion diagnostics that can support the approval and commercialization of treatment.

## 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,			
	2021		2020	
	RMB'000	%	RMB'000	%
	(unaudited)		(unaudited)	
Staff costs	56,332	27.6	46,597	21.6
Outsourcing costs	49,037	24.0	64,301	29.7
Raw materials	62,204	30.4	68,015	31.5
Others	36,874	18.0	37,264	17.2
<b>Total</b>	<b>204,447</b>	<b>100.0</b>	216,177	100.0

Our cost of sales decreased by 5.4% from RMB216.2 million for the six months ended June 30, 2020 to RMB204.4 million for the corresponding period of 2021. The decrease was primarily due to (i) a decrease in outsourcing costs as a result of our continuous investment in research and development and improvement in the testing capabilities of our laboratories, and (ii) a decrease in the purchase of reagents associated with COVID-19-related testing, which has a higher cost than non-COVID-19-related testing reagents, in the six months ended June 30, 2021.

## Management Discussion and Analysis

### Gross Profit, Gross Profit Margin and Segment Results

For the six months ended June 30, 2020 and 2021, our gross profit was RMB213.3 million and RMB233.8 million, respectively. For the same periods, our gross profit margin was 49.7% and 53.3%, respectively.

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 result, is measured consistently with our profit before tax except that other income and gains, administrative expenses, research and development costs, other expenses, finance costs, listing expenses and fair value loss on financial liabilities at FVTPL are excluded from such measurement. The following table sets forth a breakdown of our segment results for the periods indicated, both in actual amounts and as a percentage of segment revenue.

	For the six months ended June 30,			
	2021		2020	
	Segment result (RMB'000) (unaudited)	% of segment revenue	Segment result (RMB'000) (unaudited)	% of segment revenue
Hematology testing	76,650	28.6	51,007	24.4
Neurology testing	4,460	11.5	5,068	15.5
Maternity-related testing	1,333	5.3	1,825	7.5
Genetic disease and rare disease testing	2,380	10.8	121	0.8
Infectious disease testing	5,200	20.3	1,368	6.5
Oncology testing	407	10.7	(130)	(5.1)
COVID-19-related testing	3,982	37.7	40,500	43.2
Routine testing	1,532	4.2	147	0.6
Others	2,252	32.9	1,812	34.4
<b>Total</b>	<b>98,196</b>	<b>22.4</b>	<b>101,718</b>	<b>23.7</b>



Our Company's non-COVID-19-related testing services were adversely affected by the COVID-19 pandemic in the first half of 2020. During the six months ended June 30, 2021, our non-COVID-19-related testing services had largely resumed to normal, the growth in revenue further diluted our fixed costs. The improvement in operating efficiency of each segment resulted in an improvement in the overall performance of our non-COVID-19-related testing services.

- Segment results of our hematology testing service increased from RMB51.0 million for the six months ended June 30, 2020 to RMB76.7 million for the corresponding period of 2021. The increase was primarily due to the increase in revenue from hematology testing during the period, and the segment margin increased from 24.4% for the six months ended June 30, 2020 to 28.6% for the corresponding period of 2021. The improvement in segment margin was primarily due to the increase in operating and management efficiency and the scale effect brought by the increase in revenue. The hematology testing product line represents the level of operational efficiency and financial return that can be achieved by a segment which enters the mature stage;
- Segment results of our genetic disease and rare disease testing service increased from RMB0.1 million for the six months ended June 30, 2020 to RMB2.4 million for the corresponding period of 2021. The rapid growth was primarily due to the abundance of testing offering items and continuous market investment in this segment, which increased the revenue of the genetic disease and rare disease testing product line and the overall performance of the segment;
- Segment results of our infectious disease testing service increased from RMB1.4 million for the six months ended June 30, 2020 to RMB5.2 million for the corresponding period of 2021. The rapid growth was primarily due to the COVID-19 outbreak in the first half of 2020 which caused the suspension of consultation services in most infectious disease departments in hospitals. During the corresponding period in 2021, the infectious disease business gradually returned to normal, and the increase in sales led to the improvement of segment performance;
- Segment results of our oncology testing service turned positive for the six months ended June 30, 2021, primarily due to the relatively small overall scale of our oncology testing segment. The growth in segment performance is consistent with the rapid increase in revenue, and the performance rate is also increasing;
- Segment results of our COVID-19-related testing service decreased from RMB40.5 million for the six months ended June 30, 2020 to RMB4.0 million for the corresponding period of 2021. The decrease was primarily due to the fact that COVID-19 has been effectively controlled in China since the second half of 2020, resulting in a decline in testing volume and a sharp decline in segment performance;
- Segment results of our routine testing service increased from RMB0.1 million for the six months ended June 30, 2020 to RMB1.5 million for the corresponding period of 2021. The rapid growth was primarily due to the decrease in the number of outpatient visits in the hospitals during the COVID-19 outbreak in 2020. In the first half of 2021, the number of outpatient visits has returned to normal, and segment performance has also increased significantly; and
- Our other segment results include research and development, CROs and new testing services. The increase in performance over the same period of 2020 was mainly due to the increase in revenue from these segments.

# Management Discussion and Analysis

## Other Income and Gains

Our other income and gains increased by 33.0% from RMB11.2 million for the six months ended June 30, 2020 to RMB14.9 million for the corresponding period of 2021. The increase was primarily due to the increase of RMB3.2 million in bank interest income and interest income from wealth management assets, partially offset by a decrease of RMB2.4 million in government grants.

## Selling and Marketing Expenses

Our selling and marketing expenses increased by 21.4% from RMB111.6 million for the six months ended June 30, 2020 to RMB135.6 million for the corresponding period of 2021. The increase was primarily due to (i) the increased compensation paid to our sells and marketing staff attributable to an increased merit pay as a result of the increased revenue during the period, which resulted in an increase in our staff costs, and (ii) the increased customers coverage as a result of our business's gradual recovery from the impact of the COVID-19 pandemic, which resulted in an increase in marketing and development expenses and travel and office expenses.

## Administrative Expenses

Our administrative expenses increased by 26.9% from RMB22.7 million for the six months ended June 30, 2020 to RMB28.9 million for the corresponding period of 2021. The increase was primarily due to an increase in staff costs attributable to the increased number of administrative and management personnel.

## Research and Development Costs

Our research and development costs increased by 33.3% from RMB31.8 million for the six months ended June 30, 2020 to RMB42.4 million for the corresponding period of 2021. The increase was primarily due to the fact that, in the first half of 2021, we initiated 46 new research projects based on advanced technology platforms in various areas of diseases including hematology testing, oncology testing, genetic diseases testing, infectious disease testing and autoimmune disease testing, which resulted in an increase in our staff costs and costs of raw materials.

## Other Expenses

Our other expenses remained stable at RMB11.9 million and RMB11.1 million for the six months ended June 30, 2020 and 2021, respectively.

## Listing Expenses

We incurred listing expenses of RMB20.8 million for the six months ended June 30, 2021, representing 4.8% of our revenue for the same period, in relation to the Global Offering and Listing of the Shares on the Main Board.

## Finance Costs

Our finance costs remained relatively insignificant and increased by 18.2% from RMB0.9 million for the six months ended June 30, 2020 to RMB1.1 million for the corresponding period of 2021. The increase was primarily due to the increase of interest expenses on bank borrowings and other loans.

## Fair Value Loss on Financial Liabilities at FVTPL

Our fair value loss on financial liabilities at FVTPL increased by 1,056.0% from RMB130.4 million for the six months ended June 30, 2020 to RMB1,507.5 million for the corresponding period of 2021. The increase was primarily due to the increase in our Company's valuation and the additional Series D+ and Series E convertible redeemable preferred shares issued during the second half of 2020.

## Income Tax Expense

Our income tax expense remained insignificant and decreased by 89.7% from RMB5.9 million for the six months ended June 30, 2020 to RMB0.6 million for the corresponding period of 2021.

## Loss for the Period

As a result of the foregoing reasons, our loss for the period increased from RMB90.8 million for the six months ended June 30, 2020 to RMB1,499.4 million for the corresponding period of 2021.

## Non-IFRS Measures: Adjusted Net Income

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

## Management Discussion and Analysis

The following tables set forth the reconciliations of our non-IFRS financial measure for the six months ended June 30, 2020 and 2021 to the nearest measure prepared in accordance with IFRS:

	For the six months ended	
	June 30,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Loss for the period	(1,499,357)	(90,833)
Add:		
Fair value loss on financial liabilities at FVTPL	1,507,499	130,407
Listing expenses	20,824	—
Adjusted net income	28,966	39,574

## 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, 2021, we funded our working capital and other capital expenditure requirements through a combination of income generated from operations and investments received. The following table sets forth a summary of our cash flows for the periods indicated.

	For the six months ended June 30,	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Net cash generated from operating activities	25,823	21,083
Net cash used in investing activities	(173,145)	(55,927)
Net cash (used in)/generated from financing activities	(117,362)	30,801
Net decrease in cash and cash equivalents	(264,684)	(4,043)
Cash and cash equivalents at the beginning of the period	841,227	59,510
Effect of foreign exchange rate changes, net	(7,647)	(65)
Cash and cash equivalents at the end of the period	568,896	55,402

## Cash and Cash Equivalents

For the six months ended June 30, 2021, our net cash generated from operating activities was RMB25.8 million. The difference between our net cash generated from operating activities and our loss before tax primarily resulted from (i) positive adjustments for non-cash items mainly including fair value losses on financial liabilities at FVTPL of RMB1,507.5 million mainly due to an increase in our company valuation, depreciation of property, plant and equipment of RMB18.2 million, and impairment losses net of reversal of financial assets under expected credit losses model of RMB4.1 million, and (ii) an increase in other payables and accruals of RMB22.9 million in line with our business growth, partially set off by (i) an increase in trade and bills receivables of RMB29.5 million and (ii) a decrease in trade and bills payables of RMB8.2 million, both in line with our business growth.

For the six months ended June 30, 2021, our net cash used in investing activities was RMB173.1 million, mainly attributable to purchase of wealth management product of RMB383.0 million and purchase of time deposits with original maturity of more than one year of RMB50.0 million, partially offset by repayment from related parties of RMB23.8 million.

For the six months ended June 30, 2021, our net cash used in financing activities was RMB117.4 million, primarily attributable to payments of special dividends of RMB65.2 million and repayment of bank loans and other borrowings of RMB40.0 million.

As a result of the foregoing, our cash and cash equivalents, which were primarily held in Renminbi and United States dollars, decreased by 32.4% from RMB841.2 million as of December 31, 2020 to RMB568.9 million as of June 30, 2021.

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.

# Management Discussion and Analysis

## Indebtedness

As of June 30, 2021, we did not have any outstanding bank loans and our unutilized banking facilities were RMB150.0 million.

## Gearing Ratio

No gearing ratio is presented as we had total deficit in equity balance as of December 31, 2020 and June 30, 2021, mainly attributable to the significant amount of convertible redeemable preferred shares.

## Capital Expenditures

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

	For the six months ended June 30,	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Purchases of property, plant and equipment	25,444	11,358
Purchases of other intangible assets	4,530	2,243
<b>Total</b>	<b>29,974</b>	<b>13,601</b>

## Contingent Liabilities

As of June 30, 2021, we did not have any material contingent liabilities.

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

As of June 30, 2021, we did not hold any significant investment. In addition, save for the expansion plans as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the Prospectus, we have no future plans for material investments or capital assets.

## Material Acquisitions and Disposals

During the six months ended June 30, 2021, we did not conduct any material acquisitions or disposals of subsidiaries, associates and joint ventures.

## Charges on Group Assets

As of June 30, 2021, 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, 2021.

## Employees

As of June 30, 2021, we had 2,765 employees in total and most of them were located in Hubei and Sichuan Provinces, Beijing and Shanghai. We conduct new staff training regularly to guide new employees and help them adapt to the new working environment. In addition, we provide online and in-person formal and comprehensive company-level and department-level training to our employees on a quarterly basis in addition to on-the-job training. We also encourage our employees to attend external seminars and workshops to enrich their technical knowledge and develop competencies and skills, and provide training and development programs to our employees and external training sessions from time to time to improve their technical skills and ensure their awareness and compliance with our various policies and procedures.

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

The Company adopted the Pre-IPO Stock Incentive Plans on March 14, 2013, December 20, 2015 and December 1, 2016. On June 22, 2021, the Company also adopted the Post-IPO RSU Scheme and Post-IPO Option Scheme, of which our employees are eligible participants, effective upon the Listing Date. For details, see "Other Information — Pre-IPO Incentive Plans," "Other Information — Post-IPO RSU Scheme" and "Other Information — Post-IPO Option Scheme."

## Significant Events After the Reporting Period

Pursuant to the shareholders' resolution passed on June 22, 2021, the authorized share capital of our Company was subdivided on a one-to-four basis upon Listing and as a result, the par value was changed from US\$0.001 per ordinary share to US\$0.00025 per Share and the authorized share capital of our Company of US\$500,000 was subdivided into 2,000,000,000 Shares of US\$0.00025 per Share.

Our Shares were successfully listed on the Main Board on July 16, 2021. In connection with the Listing, 226,405,000 new Shares were issued and allotted at the offering price of HK\$9.78 per Share. The gross proceeds arising from the Global Offering amounted to approximately HK\$2,214 million (approximate to RMB1,997 million). Upon Listing, all of the convertible redeemable preferred shares were automatically converted into ordinary shares and the carrying amount of the financial liabilities at that time were transferred to equity, which will result in the change from a net liability position to a net asset position on the statement of financial position.

On August 19, 2021, Wuhan Kindstar entered into an equity transfer agreement (the "**Agreement**") with Mr. Zheng Jianhua and Xinjiang Yijiali Medical Technology Service Co., Ltd., pursuant to which Wuhan Kindstar agreed to acquire an aggregate of 43% equity interest in Xinjiang Kindstar Yijiali Medical Laboratory Co., Ltd. at a total consideration of RMB25,800,000, subject to price adjustment in accordance with the terms and conditions of the Agreement. Upon completion of the acquisition, Xinjiang Kindstar will become a wholly-owned subsidiary of Wuhan Kindstar.

On September 15, 2021, Kindstar Global (Wuhan) Investment Management Co., Ltd. (康聖環球(武漢)投資管理有限公司) ("**Kindstar Wuhan Investment**"), a PRC Consolidated Entity, Ezhou Changda Asset Management Co., Ltd. (鄂州市昌達資產經營有限公司) and Hubei Gedian Development Zone Construction Investment Co., Ltd. (湖北省葛店開發區建設投資有限公司) (each as a limited partner) and Wuhan Booth Investment Information Co., Ltd. (武漢布斯投資資訊有限公司) (as the general partner) entered into a partnership agreement for the formation of Hubei Rivercity Kindstar Industry Investment Fund Partnership (Limited Partnership) (湖北瑞江康聖產業投資基金合夥企業(有限合夥)) (the "**Partnership**"). The total capital contribution by all partners of the Partnership shall be RMB300,000,000, of which RMB177,000,000 shall be contributed by Kindstar Wuhan Investment. Upon its establishment, the Partnership will not be accounted for and consolidated in the consolidated accounts of the Company as a subsidiary.

Except as disclosed above, there are no material events subsequent to June 30, 2021 which could have a material impact on our operating and financial performance as of the Latest Practicable Date.



# Other Information

## Change in Directors' Biographical Details Under Rule 13.51B(1) of the Listing Rules

There is no change in the Directors' biographical details which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the Prospectus.

## Pre-IPO Stock Incentive Plans

The Pre-IPO Stock Incentive Plans were adopted pursuant to the Board resolutions passed on March 14, 2013, December 20, 2015 and December 1, 2016. The purposes of the Pre-IPO Stock Incentive Plans are to attract and retain the best available personnel, to provide additional incentives to the Group's employees, the Directors and persons (other than an employee or a Director) who are engaged by the Company or any related party to render consulting or advisory services (the "Consultants"), and to promote the success of the Group's business.

The principal terms of the Pre-IPO Stock Incentive Plans are summarized in the section headed "Statutory and General Information — D. Pre-IPO Stock Incentive Plans" in Appendix IV to the Prospectus. The terms of the Pre-IPO Stock Incentive Plans are not subject to the provisions of Chapter 17 of the Listing Rules as they will not involve the grant of options by the Company to subscribe for Shares after the Listing.

As of June 30, 2021, options to subscribe for 114,985,256 Shares (none of which have been cancelled or lapsed), representing approximately 11.27% of the total issued share capital of the Company as of the same date, were outstanding and held by grantees. Details of such outstanding options are set out below:

Name or category of grantee	Grant date	Vesting and exercise period	Exercise price (US\$/Share)	Shares underlying the outstanding option as of June 30, 2021
<b>Directors and senior management</b>				
Mr. Tu Zanbing	March 15, 2013	(Note 1)	0.03	3,207,640
	December 31, 2013	(Note 2)	0.03	2,800,000
	December 31, 2015	(Note 2)	0.06	13,125,224
	December 31, 2016	(Note 2)	0.03–0.09	6,604,856
				25,737,720
Ms. Chai Haijie	December 31, 2014	(Note 2)	0.03	1,200,000
	December 31, 2015	(Note 2)	0.06	4,293,796
	December 31, 2016	(Note 2)	0.09	4,672,660
				10,166,456
<b>Sub-total</b>				<b>35,904,176</b>

Name or category of grantee	Grant date	Vesting and exercise period	Exercise price (US\$/Share)	Shares underlying the outstanding option as of June 30, 2021
<b>Other employees of the Group (Note 3)</b>				
In aggregate	March 15, 2013	(Note 1)	0.03	5,456,000
	December 31, 2013	(Note 2)	0.03	16,562,648
	December 31, 2014	(Note 2)	0.03	612,000
	December 31, 2015	(Note 2)	0.06	20,448,564
	December 31, 2016	(Note 2)	0.09	18,958,812
	December 31, 2016	(Note 2)	0.06–0.09	4,475,908
	December 31, 2017	(Note 2)	0.03	516,000
<b>Sub-total</b>				<b>67,029,932</b>
<b>Consultants</b>				
In aggregate	March 15, 2013	(Note 1)	0.03	1,196,000
	December 31, 2013	(Note 2)	0.03	540,000
	December 31, 2015	(Note 2)	0.06	38,312
	December 31, 2016	(Note 2)	0.09	10,276,836
<b>Sub-total</b>				<b>12,051,148</b>
<b>Total</b>				<b>114,985,256</b>

Notes:

- (1) 25%, 25%, 25% and 25% of the total number of the options granted shall vest and become exercisable on the first, second, third and fourth anniversary of January 1, 2012, which was deemed as vesting commencement date.
- (2) 100% of the total number of the options granted shall vest and become exercisable immediately after grant date.
- (3) This includes former employee who were our employee on the date of grant, each of which is an independent third party of the Company.

## Post-IPO RSU Scheme

The Post-IPO RSU Scheme was adopted pursuant to the shareholders' resolutions passed on June 22, 2021. The purpose of the Post-IPO RSU Scheme is to align the interests of eligible persons thereto with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain such eligible persons to make contributions to the long-term growth and profits of the Group.

## Other Information

The principal terms of the Post-IPO RSU Scheme are summarized in the section headed “Statutory and General Information — E. Post-IPO RSU Scheme” in Appendix IV to the Prospectus. The terms of the Post-IPO RSU Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of options by the Company.

Since the adoption of the Post-IPO RSU Scheme and up to June 30, 2021, no restricted share unit had been granted or agreed to be granted under the Post-IPO RSU Scheme.

## Post-IPO Option Scheme

The Post-IPO Option Scheme was adopted pursuant to the shareholders’ resolutions passed on June 22, 2021 in compliance with Chapter 17 of the Listing Rules. The purpose of the Post-IPO Option Scheme is to reward employees for their past contribution to the success of the Company, and to provide incentives to them to further contribute to the Company.

Since the adoption of the Post-IPO Option Scheme and up to June 30, 2021, no option had been granted or agreed to be granted under the Post-IPO Option Scheme.

## Disclosure of Interests

### Directors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Corporations

As the Shares had not been listed on the Stock Exchange as of June 30, 2021, section 352 of the SFO and the Model Code were not applicable to the Directors as of June 30, 2021.

As of the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

#### (i) Interests in the Company

Name of Director or chief executive	Capacity/Nature of interest	Number of Shares interested	Approximate % of shareholding
Dr. Huang Shiang <sup>(1)(2)</sup>	Settlor of a trust and interest of spouse	145,363,368	16.05
Mr. Tu Zanbing <sup>(3)</sup>	Interest in controlled corporation Beneficial interest	38,624,144 25,737,720	4.27 2.84
Ms. Chai Haijie <sup>(4)</sup>	Beneficial interest	10,166,456	1.12
Mr. Huang Zuie-Chin <sup>(5)</sup>	Interest in controlled corporation	93,927,372	10.37

## Notes:

- (1) Perfect Tactic Group Limited ("**Perfect Tactic**") is a company incorporated in the BVI held as to 99.8% and 0.2% by Infinite Prosperity Holdings LLC ("**Infinite Prosperity**") and Kindstar Rui An Medical Technology Company Limited (康聖瑞安醫學技術有限公司) ("**Kindstar Rui An**"), respectively. Infinite Prosperity is wholly owned by Jackson Hole Trust Company ("**Jackson Hole**"), the trustee to the Shiang Huang Family Trust which was established by Dr. Huang as settlor. Kindstar Rui An is indirectly wholly owned by Dr. Huang. Accordingly, Dr. Huang is deemed to be interested in the total number of Shares held by Perfect Tactic. Dr. Huang, being the spouse of Ms. Guo Gui-Rong, is deemed to be interested in the total number of Shares Ms. Guo Gui-Rong holds or is interested in.
- (2) According to the voting proxy arrangements dated April 28, 2021, January 1, 2017 and November 2, 2020, Ms. Guo Gui-Rong has effective control over the voting rights attached the Shares held by each of Perfect Tactic, Mr. Chen Zhong ("**Mr. Chen**") and Ever Prospect Global Limited ("**Ever Prospect**"), which is wholly owned by Mr. Tu Zanbing. Accordingly, Ms. Guo Gui-Rong is deemed to be interested in (i) the 48,361,508 Shares held by Perfect Tactic, (ii) 3,468,800 Shares held by Mr. Chen, and (iii) 38,624,144 Shares held by Ever Prospect. Dr. Huang, being the spouse of Ms. Guo Gui-Rong, is deemed to be interested in the total number of Shares Ms. Guo Gui-Rong holds or is interested in.
- (3) Ever Prospect is wholly owned by Mr. Tu. Accordingly, Mr. Tu is deemed to be interested in the 38,624,144 Shares held by Ever Prospect. Mr. Tu is also interested in 6,434,430 share options granted to him under the Pre-IPO Stock Incentive Plans to receive 25,737,720 Shares. According to the voting proxy arrangement dated November 2, 2020, Ms. Guo Gui-Rong has effective control over the voting rights attached the Shares held by Ever Prospect.
- (4) Ms. Chai is interested in 2,541,614 share options granted to her to receive 10,166,456 Shares.
- (5) The general partner of Ningbo Meishan Bonded Port Zone Xinyue Kangsheng Equity Investment Limited Liability Partnership (寧波梅山保稅港區新岳康聖股權投資合夥企業(有限合夥)) ("**Ningbo Xinyue**") is Ningbo Meishan Bonded Port Zone Ruixi Equity Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區瑞義股權投資管理合夥企業(有限合夥)) ("**Ningbo Ruixi**"), while the general partner of Wuhan Ruifu Medical Health Equity Investment Limited Liability Partnership (武漢瑞伏醫療健康股權投資合夥企業(有限合夥)) ("**Wuhan Ruifu**") is Ningbo Meishan Bonded Port Zone Ruifu Bojian Investment Management Co., Ltd. (寧波梅山保稅港區瑞伏博健投資管理有限公司) ("**Ningbo Ruifu**"). The general partner of Ningbo Ruixi is Ningbo Ruifu. Accordingly, Ningbo Ruifu is deemed to be interested in the 41,829,140 Shares held by Wuhan Ruifu and the 30,710,492 Shares held by Ningbo Xinyue. The general partner of Panacea Venture Healthcare Fund I, L.P. ("**Panacea**") is Panacea Venture Healthcare Fund GP I, L.P., which is controlled by Panacea Venture Healthcare Fund GP Company, Ltd. ("**Panacea GP**"), its general partner. Each of Ningbo Ruifu and Panacea GP is ultimately controlled by Mr. Huang. Accordingly, Mr. Huang Zuie-Chin is deemed to be interested in (i) the 41,829,140 Shares held by Wuhan Ruifu, (ii) the 30,710,492 Shares held by Ningbo Xinyue, and (iii) the 21,387,740 Shares held by Panacea.

## (ii) Interests in associated corporations

Name of Director or chief executive	Name of associate corporation	Amount of registered capital held (RMB)	Approximate % of interest
Dr. Huang Shiang	Wuhan Kindstar	6,644,000	96.29%
	Kindstar Global Wuhan	10,000,000	99.01%
Mr. Tu Zanbing	Wuhan Kindstar	256,000	3.71%
	Kindstar Global Wuhan	100,000	0.99%
	Shanghai Xinuo Medical Laboratory Co., Ltd. (上海希諾醫學檢驗實驗室有限公司)	475,000	9.50%
	Guangzhou Xinuo Medical Laboratory Co., Ltd. (廣州希諾醫學檢驗實驗室有限公司)	950,000	9.50%
	Kindstar Zhenyuan	1,000,000	10.00%

## Other Information

Save as disclosed above, as of the Latest Practicable Date, none of the Directors nor the chief executives of the Company have any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

### Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares of the Company

As the Shares had not been listed on the Stock Exchange as of June 30, 2021, section 336 of the SFO was not applicable to the substantial shareholders of the Company as of June 30, 2021.

As of the Latest Practicable Date, the following persons (other than the Directors or the chief executive of the Company) have interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of substantial shareholder	Capacity/Nature of interest	Number of Shares interested	Approximate % of shareholding
Ms. Guo Gui-Rong	Beneficial interest	3,971,020	0.44%
	Interest held through voting powers entrusted by other persons <sup>(1)</sup>	90,454,452	9.99%
	Settlor of a trust <sup>(2)</sup>	50,937,896	5.62%
Dr. Huang Shiang <sup>(3)(4)</sup>	Settlor of a trust and interest of spouse	145,363,368	16.05%
Mr. Huang Bo <sup>(2)(3)</sup>	Interest in controlled corporation	99,299,404	10.96%
Perfect Tactic <sup>(1)(3)</sup>	Beneficial interest	48,361,508	5.34%
Jackson Hole <sup>(2)(3)</sup>	Beneficial interest	50,937,896	5.62%
	Interest in controlled corporation	48,361,508	5.34%
Infinite Prosperity <sup>(3)</sup>	Interest in controlled corporation	48,361,508	5.34%
Mr. Huang Zuie-Chin <sup>(5)</sup>	Interest in controlled corporation	93,927,372	10.37%
Ningbo Ruifu <sup>(5)</sup>	Interest in controlled corporation	72,539,632	8.01%
Madam Chan Tan Ching Fen <sup>(6)</sup>	Founder of a discretionary trust who can influence how the trustee exercises his discretion	91,068,160	10.06%

Name of substantial shareholder	Capacity/Nature of interest	Number of Shares interested	Approximate % of shareholding
Ghalibo (PTC) Limited ("Ghalibo") <sup>(6)</sup>	Trustee	91,068,160	10.06%
Morningside Holdings (Asia) Limited ("Morningside Holdings") <sup>(6)</sup>	Interest in controlled corporation	91,068,160	10.06%
Healthcare Asia (Holdings) Inc. ("HCA Holdings") <sup>(6)</sup>	Interest in controlled corporation	91,068,160	10.06%
Healthcare Asia (China) Inc. ("HCA China") <sup>(6)</sup>	Interest in controlled corporation	91,068,160	10.06%
Healthcare Asia Laboratories Inc. ("HCA Laboratories") <sup>(6)</sup>	Interest in controlled corporation	91,068,160	10.06%
HCA Health Investments Inc. ("HCA Investments") <sup>(6)</sup>	Beneficial interest	91,068,160	10.06%
CPE Holdings International Limited ("CPE International") <sup>(7)</sup>	Interest in controlled corporation	80,367,640	8.87%
CPE Holdings Limited ("CPE Holdings") <sup>(7)</sup>	Interest in controlled corporation	80,367,640	8.87%
CPE Funds III Limited ("CPE Funds III") <sup>(7)</sup>	Interest in controlled corporation	80,367,640	8.87%
CPEChina Fund III, L.P. ("CPEChina") <sup>(7)</sup>	Interest in controlled corporation	80,367,640	8.87%
CK Lab Tech Investment Limited ("CK Lab Tech") <sup>(7)</sup>	Beneficial interest	80,367,640	8.87%
Mr. Tu Zanbing	Interest in controlled corporation <sup>(1)(8)</sup>	38,624,144	4.27%
	Beneficial interest <sup>(9)</sup>	25,737,720	2.84%

## Other Information

### Notes:

- (1) According to voting proxy arrangements dated April 28, 2021, January 1, 2017 and November 2, 2020, Ms. Guo has effective control over the voting rights attached to the Shares held by each of Perfect Tactic, Mr. Chen and Ever Prospect. Accordingly, Ms. Guo Gui-Rong is deemed to be interested in (i) the 48,361,508 Shares held by Perfect Tactic, (ii) the 3,468,800 Shares held by Mr. Chen and (iii) the 38,624,144 Shares held by Ever Prospect.
- (2) Jackson Hole is the trustee of Gui-Rong Guo Trust, a family trust established by Ms. Guo (as the settlor) with her and her family members being the beneficiaries. Under the trust deed of the Gui-Rong Guo Trust, for so long as the Jackson Hole holds or controls any Shares, all voting rights attaching to such Shares shall be in effect exercised by Mr. Huang Bo, Dr. Huang Shiang and Ms. Guo Gui-Rong's son, as investment advisor to the Gui-Rong Guo Trust. Accordingly, each of Ms. Guo Gui-Rong and Mr. Huang Bo is deemed to be interested in the total number of Shares held by Jackson Hole.
- (3) Perfect Tactic is a company incorporated in the BVI held as to 99.8% and 0.2% by Infinite Prosperity and Kindstar Rui An, respectively. Infinite Prosperity is wholly owned by Jackson Hole. Jackson Hole is the trustee to the Shiang Huang Family Trust which was established by Dr. Huang as settlor. The Shiang Huang Family Trust is a discretionary trust and the beneficiaries of which includes Dr. Huang and his family members who are this associates, and their lineal descendants. Under the trust deed of the Shiang Huang Family Trust, for so long as the Jackson Hole Trust Company holds or controls any shares in Perfect Tactic, all voting rights with respect to investment decisions attaching thereto will be exercised by Mr. Huang Bo as investment advisor to the Shiang Huang Family Trust. Accordingly, each of Infinite Prosperity, Jackson Hole, Mr. Huang Bo and Dr. Huang is deemed to be interested in the total number of Shares held by Perfect Tactic.
- (4) Dr. Huang, being the spouse of Ms. Guo Gui-Rong, is also deemed to be interested in the total number of the Shares Ms. Guo Gui-Rong holds or is interested in.
- (5) The general partner of Ningbo Xinyue is Ningbo Ruixi, while the general partner of Wuhan Ruifu is Ningbo Ruifu. The general partner of Ningbo Ruixi is Ningbo Ruifu. Accordingly, Ningbo Ruifu is deemed to be interested in the 41,829,140 Shares held by Wuhan Ruifu and the 30,710,492 Shares held by Ningbo Xinyue. The general partner of Panacea is Panacea Venture Healthcare Fund GP I, L.P., which is controlled by Panacea GP, its general partner. Each of Ningbo Ruifu and Panacea GP is ultimately controlled by Mr. Huang. Accordingly, Mr. Huang Zuie-Chin is deemed to be interested in (i) the 41,829,140 Shares held by Wuhan Ruifu, (ii) the 30,710,492 Shares held by Ningbo Xinyue, and (iii) the 21,387,740 Shares held by Panacea.
- (6) HCA Investments is a limited liability company incorporated in the BVI and wholly owned by HCA Laboratories, which is wholly owned by HCA China. HCA China is wholly owned by HCA Holdings, which is wholly owned by Morningside Holdings. Morningside is wholly owned by Ghalibo, the trustee of a family trust established by Madam Chan Tan Ching Fen. Accordingly, each of HCA Investments, HCA Laboratories, HCA China, HCA Holdings, Morningside Holdings, Ghalibo and Madam Chan Tan Ching Fen is deemed to be interested in the total number of Shares held by HCA Investments.
- (7) CK Lab Tech is a company incorporated in the BVI held as to approximately 85.1% by CPEChina and 14.9% by CPE Global Opportunities Fund, L.P. The general partner of CPEChina is CPE Funds III, which is wholly owned by CPE Holdings. CPE Holdings is wholly owned by CPE International, which is owned by a number of shareholders that are natural persons none of whom controls CPE International. Accordingly, each of CPEChina, CPE Fund III, CPE Holdings and CPE International is deemed to be interested in the total number of Shares held by CK Lab Tech.
- (8) Ever Prospect is wholly owned by Mr. Tu. Accordingly, Mr. Tu is deemed to be interested in the 38,624,144 Shares held by Ever Prospect.
- (9) Mr. Tu is interested in 6,434,430 share options granted to him under the Pre-IPO Stock Incentive Plans to receive 25,737,720 Shares.

Save as disclosed above, as of the Latest Practicable Date, the Directors or chief executive of the Company are not aware of any other person, not being a Director or chief executive of the Company, who has an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.



## Purchase, Sale or Redemption of the Company's Listed Securities

The Shares had not been listed on the Stock Exchange as of June 30, 2021, and there were no other listed securities issued by the Company or any of its subsidiaries. Accordingly, there was no purchase, sale or redemption of any of the listed securities of the Company during the six months ended June 30 2021.

## Use of Proceeds from the Global Offering

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 Latest Practicable Date.

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

Intended use of proceeds	% of intended use of proceeds	Intended use of proceeds from the Global Offering	Actual usage up to the Latest Practicable Date	Unutilized net proceeds as of the Latest Practicable Date	Timeframe for the unused balance
	%	HK\$ million	HK\$ million	HK\$ million	
Sales and marketing of the Group's existing esoteric testing service lines to cover more hospitals	35.0	718.8	19.6	699.2	By June 30, 2023
Research and development of the Group's existing esoteric testing service lines	20.0	410.7	8.0	402.7	By June 30, 2023
Development and commercialization of new lines of esoteric testing services	15.0	308.0	—	308.0	By June 30, 2023
Fund the Group's expansion across the industry value chain	5.0	102.7	—	102.7	By June 30, 2023
Increase the Group's testing capacity	10.0	205.4	11.5	193.9	By June 30, 2023
Overseas expansion into markets outside of the PRC	5.0	102.7	—	102.7	By June 30, 2023
Working capital and other general corporate purposes	10.0	205.4	11.3	194.1	By June 30, 2023
<b>Total</b>	<b>100.0</b>	<b>2,053.6</b>	<b>50.4</b>	<b>2,003.3</b>	<b>By June 30, 2023</b>

## Other Information

Note:

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

The remaining balance of the net proceeds have been deposited into short-term deposits with licensed financial institutions in Hong Kong and the PRC.

## Compliance with the CG 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.

As the Shares had not been listed on the Stock Exchange as of June 30, 2021, the CG Code as set out in Appendix 14 to the Listing Rules was not applicable to the Company during the six months ended June 30, 2021. The Board is of the view that, since the Listing Date and up to the Latest Practicable Date, the Company has complied with the code provisions as set out in the CG Code, except for the deviation from code provision A.2.1 as explained below.

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

While this will constitute a deviation from code provision A.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

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the Group's code of conduct regarding the Directors' securities transactions. As the Shares had not been listed on the Stock Exchange as of June 30, 2021, the Model Code was not applicable to the Company during the six months ended June 30, 2021. Having made specific enquiry of all the Directors, all the Directors confirmed that they have strictly complied with the Model Code since the Listing Date and up to the Latest Practicable Date.

The Board has also adopted written guidelines (the "**Employees Written Guidelines**") no less exacting than the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision A.6.4 of the CG Code. No incident of non-compliance with the Employees Written Guidelines by the Company's relevant employees had been noted since the Listing Date and up to the Latest Practicable Date.

## Audit Committee and Review of Financial Information

The Board has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. As of the date of this report, 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, 2021. 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, 2021 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."

# Independent Review Report



To the board of directors of Kindstar Globalgene Technology, Inc.

(Incorporated in Cayman Islands with limited liability)

## Introduction

We have reviewed the interim financial information set out on pages 39 to 76, which comprises the condensed consolidated statement of financial position of Kindstar Globalgene Technology, Inc. (the “**Company**”) and its subsidiaries (the “**Group**”) as at 30 June 2021 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“**IAS 34**”) issued by the International Accounting Standards Board (“**IASB**”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review 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 HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

30 August 2021

# Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June 2021 RMB'000 (Unaudited)	For the six months ended 30 June 2020 RMB'000 (Unaudited)
<b>REVENUE</b>	4	<b>438,200</b>	429,513
Cost of sales		(204,447)	(216,177)
<b>Gross profit</b>		<b>233,753</b>	213,336
Other income and gains		14,867	11,176
Selling and marketing expenses		(135,557)	(111,618)
Administrative expenses		(28,858)	(22,736)
Research and development costs		(42,360)	(31,774)
Other expenses		(11,148)	(11,920)
Listing expenses		(20,824)	—
Finance costs		(1,121)	(948)
<b>PROFIT BEFORE FAIR VALUE LOSS ON FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (“FVTPL”) AND TAX</b>		<b>8,752</b>	45,516
Fair value loss on financial liabilities at FVTPL	16	(1,507,499)	(130,407)
<b>LOSS BEFORE TAX</b>	5	<b>(1,498,747)</b>	(84,891)
Income tax expense	6	(610)	(5,942)
<b>LOSS FOR THE PERIOD</b>		<b>(1,499,357)</b>	(90,833)
Attributable to:			
Owners of the parent		(1,501,702)	(92,207)
Non-controlling interests		2,345	1,374
		<b>(1,499,357)</b>	(90,833)

# Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

		For the six months ended 30 June 2021 RMB'000 (Unaudited)	For the six months ended 30 June 2020 RMB'000 (Unaudited)
	Notes		
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE)</b>			
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the financial statements of subsidiaries		2,915	(3,183)
Other comprehensive income/(expense) that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the financial statements of the Company		6,983	(8,741)
Other comprehensive income/(expense) for the period, net of tax		9,898	(11,924)
Total comprehensive expense for the period, net of tax		<b>(1,489,459)</b>	(102,757)
Attributable to:			
Owners of the parent		<b>(1,491,804)</b>	(104,131)
Non-controlling interests		2,345	1,374
		<b>(1,489,459)</b>	(102,757)
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted (RMB)			
For loss for the period	8	<b>(10.33)</b>	(0.86)

# Interim Condensed Consolidated Statement of Financial Position

30 June 2021

		30 June 2021	31 December 2020
		RMB'000	RMB'000
	Notes	(Unaudited)	(Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	128,519	122,200
Right-of-use assets		28,260	35,420
Prepayments, deposits and other receivables	11	5,031	6,711
Other intangible assets		13,898	10,486
Time deposits	12	40,000	—
Investments in associates		3,111	2,312
Deferred tax assets		43,739	42,733
Goodwill		1,862	1,862
<b>Total non-current assets</b>		<b>264,420</b>	<b>221,724</b>
<b>CURRENT ASSETS</b>			
Inventories		44,327	44,977
Trade and bills receivables	10	335,696	310,385
Prepayments, deposits and other receivables	11	196,388	99,078
Amounts due from related parties	19	1,026	2,162
Financial assets at FVTPL	13	63,261	55,000
Pledged deposits		—	1,808
Profit tax receivables		—	598
Time deposits	12	10,000	—
Cash and cash equivalents		568,896	841,227
<b>Total current assets</b>		<b>1,219,594</b>	<b>1,355,235</b>

# Interim Condensed Consolidated Statement of Financial Position

30 June 2021

		30 June 2021	31 December 2020
		RMB'000	RMB'000
	Notes	(Unaudited)	(Audited)
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	14	123,585	131,785
Other payables and accruals	15	280,812	257,424
Contract liabilities		6,844	5,240
Interest-bearing bank borrowings		—	40,000
Profit tax payable		1,938	—
Amounts due to related parties	19	8,238	74,575
Lease liabilities		21,392	21,637
<b>Total current liabilities</b>		<b>442,809</b>	<b>530,661</b>
<b>NET CURRENT ASSETS</b>		<b>776,785</b>	<b>824,574</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,041,205</b>	<b>1,046,298</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred income		4,142	2,573
Convertible redeemable preferred shares	16	4,344,340	2,854,390
Lease liabilities		16,842	23,750
<b>Total non-current liabilities</b>		<b>4,365,324</b>	<b>2,880,713</b>
<b>Net liabilities</b>		<b>(3,324,119)</b>	<b>(1,834,415)</b>
<b>DEFICIENCY IN EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	17	242	242
Reserves		(3,336,093)	(1,844,044)
		<b>(3,335,851)</b>	<b>(1,843,802)</b>
Non-controlling interests		11,732	9,387
<b>Total deficit</b>		<b>(3,324,119)</b>	<b>(1,834,415)</b>



# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the parent									
	Share capital	Capital reserve	Other			Exchange fluctuation reserve	Accumulated losses	Non-controlling		Total deficit
			capital reserve*	option reserve	Share			Total	interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	(note 17)									
<b>At 1 January 2021 (Audited)</b>	242	53,779	(169,180)	119,539	75,481	(1,923,663)	(1,843,802)	9,387	(1,834,415)	
Loss for the period	–	–	–	–	–	(1,501,702)	(1,501,702)	2,345	(1,499,357)	
Other comprehensive expense for the period:										
Exchange differences on translation of the financial statements of subsidiaries	–	–	–	–	2,915	–	2,915	–	2,915	
Exchange differences on translation of the financial statements of the Company	–	–	–	–	6,983	–	6,983	–	6,983	
<b>Total comprehensive income/(expense) for the period</b>	–	–	–	–	9,898	(1,501,702)	(1,491,804)	2,345	(1,489,459)	
Acquisition of non-controlling interests	–	–	(245)	–	–	–	(245)	–	(245)	
<b>At 30 June 2021 (Unaudited)</b>	242	53,779	(169,425)	119,539	85,379	(3,425,365)	(3,335,851)	11,732	(3,324,119)	

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the parent								
	Share capital RMB'000 (note 17)	Capital reserve RMB'000	Other		Share option reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Non-controlling	
			capital reserve*	Total				interests	Total deficit
<b>At 1 January 2020 (Audited)</b>	178	8,701	(32,011)	195,184	(26,534)	(949,643)	(804,125)	4,704	(799,421)
Loss for the period	–	–	–	–	–	(92,207)	(92,207)	1,374	(90,833)
Other comprehensive expense for the period:									
Exchange differences on translation of the financial statements of subsidiaries	–	–	–	–	(3,183)	–	(3,183)	–	(3,183)
Exchange differences on translation of the financial statements of the Company	–	–	–	–	(8,741)	–	(8,741)	–	(8,741)
Total comprehensive expense for the period	–	–	–	–	(11,924)	(92,207)	(104,131)	1,374	(102,757)
Acquisition of a subsidiary	–	–	–	–	–	–	–	555	555
<b>At 30 June 2020 (Unaudited)</b>	178	8,701	(32,011)	195,184	(38,458)	(1,041,850)	(908,256)	6,633	(901,623)

\* The other capital reserve of the Group represents the difference between the aggregate value of the net assets of the non-controlling interests acquired and the consideration paid by the Group for the acquisition of the non-controlling interests.

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

		For the six months ended 30 June 2021 RMB'000 (Unaudited)	For the six months ended 30 June 2020 RMB'000 (Unaudited)
	Notes		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax:		(1,498,747)	(84,891)
Adjustments for:			
Bank interest income	5	(2,529)	(392)
Interest income from wealth management assets	5	(1,273)	(230)
Foreign exchange gains, net	5	(84)	(16)
Finance costs		1,121	948
Share of gains of associates		(799)	—
Fair value gains on financial assets at FVTPL	5	(722)	(78)
Fair value losses on financial liabilities at FVTPL:			
— Convertible redeemable preferred shares	5	1,507,499	118,026
— Convertible bonds	5	—	12,381
Losses on disposal of property, plant and equipment and other intangible assets		24	28
Depreciation of property, plant and equipment	9	18,228	19,495
Depreciation of right-of-use assets		7,845	7,902
Amortisation of other intangible assets		1,091	447
Impairment losses, net of reversal:			
— Inventories		1,550	1,814
— Financial assets under expected credit losses (“ECL”) model	10	4,147	6,224
		<b>37,351</b>	81,658
Increase in inventories		(899)	(4,322)
Increase in trade and bills receivables		(29,458)	(90,480)
Decrease/(increase) in prepayments, deposits and other receivables		715	(10,722)
(Increase)/decrease in trade and bills payables		(8,200)	32,504
Increase in other payables and accruals		22,949	14,280
Increase in contract liabilities		1,604	285
Increase/(decrease) in deferred income		1,569	(116)
Decrease in pledged deposits		1,808	320
Cash generated from operations		27,439	23,407
Income tax paid		(1,616)	(2,324)
Net cash flows from operating activities		<b>25,823</b>	21,083

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June 2021 RMB'000 (Unaudited)	For the six months ended 30 June 2020 RMB'000 (Unaudited)
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Interest received		2,068	392
Interest income from wealth management assets		1,734	230
Purchases of property, plant and equipment		(25,444)	(11,358)
Purchases of other intangible assets		(4,530)	(2,243)
Advances loans to related parties		(22,000)	(6,861)
Repayment from related parties		23,795	1,000
Purchase of wealth management products		(383,000)	(97,500)
Disposal of wealth management products		285,000	61,000
Purchase of time deposits with original maturity of more than one year		(50,000)	—
Proceeds from disposal of property, plant and equipment		156	31
Proceeds from disposal of other intangible assets		26	757
Acquisition of a subsidiary		(950)	(1,375)
Net cash flows used in investing activities		<b>(173,145)</b>	(55,927)
<b>CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES</b>			
New bank loans and other borrowings		—	40,000
Repayment of bank loans and other borrowings		(40,000)	—
Acquisition of partial interests of subsidiaries from non-controlling shareholders		(245)	—
Interest paid		(366)	(137)
Issue costs paid		(2,909)	—
Lease payments		(8,593)	(9,062)
Payments of special dividends	19(b)(v)	(65,249)	—
Net cash flows (used in)/from financing activities		<b>(117,362)</b>	30,801
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of period		841,227	59,510
Effect of foreign exchange rate changes, net		(7,647)	(65)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>568,896</b>	55,402

# Notes to Interim Condensed Consolidated Financial Information

## 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, 2<sup>nd</sup> 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

Notwithstanding that the Group recorded net liabilities of RMB3,324,119,000 as at 30 June 2021 and continually incurred losses from operations, the interim condensed consolidated financial information has been prepared on a going concern basis. The directors of the Company are of the opinion that the Group will have sufficient working capital, to meet its financial liabilities and obligations as and when they fall due and to sustain its operations for the next 12 months from 30 June 2021 because the convertible redeemable preferred shares would not be contractually redeemable within the next 12-month period.

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 do not include all of the information required for a complete set of financial statements prepared in accordance with the IFRSs and should be read in conjunction with the Group’s financial information as set out in the accountants’ report (the “**Accountants’ Report**”) included in Appendix I to the prospectus of the Group in connection with the initial public offering of the Company’s shares on the Stock Exchange.

## 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 Historical Financial Information included in Accountants’ Report set forth in Appendix I to the prospectus dated 29 June 2021, except for the adoption of the following revised International Financial Reporting Standards (“**IFRSs**”) for the first time for the current period’s financial information.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4  
and IFRS 16

*Interest Rate Benchmark Reform — Phase 2*

Amendments to IFRS 16

*Covid-19-Related Rent Concessions*

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

# Notes to Interim Condensed Consolidated Financial Information

## 3. Operating Segment Information

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

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

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

# Notes to Interim Condensed Consolidated Financial Information

## 3. Operating Segment Information (continued)

For the six months ended 30 June 2021 (Unaudited)

Segments	Genetic		Infectious diseases	Oncology	Neurology	Maternity-related diseases	COVID-19 related testing	Routine testing	Others	Total
	Hematology Testing	diseases and rare diseases								
	RMB'000	RMB'000								
<b>Segment revenue:</b>										
Sales to external customers	268,269	22,097	25,626	3,809	38,842	25,326	10,559	36,826	6,846	438,200
<b>Segment results:</b>	76,650	2,380	5,200	407	4,460	1,333	3,982	1,532	2,252	98,196
Reconciliation:										
Other income and gains										14,867
Administrative expenses										(28,858)
Research and development costs										(42,360)
Other expenses										(11,148)
Finance costs										(1,121)
Listing expenses										(20,824)
Fair value loss on financial liabilities at FVTPL										(1,507,499)
<b>Group's loss before tax</b>										(1,498,747)

# Notes to Interim Condensed Consolidated Financial Information

## 3. Operating Segment Information (continued)

For the six months ended 30 June 2020 (Unaudited)

Segments	Genetic		Infectious diseases	Oncology	Neurology	Maternity-related diseases	COVID-19	Routine testing	Others	Total
	Hematology Testing	diseases and rare diseases					related testing			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Segment revenue:</b>										
Sales to external customers	209,374	15,222	21,049	2,553	32,650	24,453	93,741	25,206	5,265	429,513
<b>Segment results:</b>	51,007	121	1,368	(130)	5,068	1,825	40,500	147	1,812	101,718
Reconciliation:										
Other income and gains										11,176
Administrative expenses										(22,736)
Research and development costs										(31,774)
Other expenses										(11,920)
Finance costs										(948)
Fair value loss on financial liabilities at FVTPL										(130,407)
<b>Group's loss before tax</b>										(84,891)

### 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.



# Notes to Interim Condensed Consolidated Financial Information

## 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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Types of services</b>		
Clinical testing service — at a point in time	433,951	425,709
Testing services for R&D projects and others — over time	4,249	3,804
Total revenue from contracts with customers	438,200	429,513

#### (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.

## Notes to Interim Condensed Consolidated Financial Information

### 5. Loss Before Tax

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

	Notes	For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Cost of inventories sold		3,561	2,751
Cost of services provided		204,447	216,177
Depreciation of property, plant and equipment	9	18,228	19,533
Less: Amount capitalised		—	(38)
		<b>18,228</b>	19,495
Depreciation of right-of-use assets		7,845	7,902
Amortisation of other intangible assets		1,091	447
Research and development costs		42,360	31,774
Auditor's remuneration		391	298
Listing expenses		20,824	—
Employee benefit expense (including director's benefit)			
Salaries and other benefits		122,084	113,239
Less: Amount capitalised		(196)	(686)
		<b>121,888</b>	112,553
Pension scheme contributions, social welfare and other welfare		13,588	5,105
Less: Amount capitalised		(28)	(57)
		<b>13,560</b>	5,048
Lease payments not included in the measurement of lease liabilities		6,607	3,212
Bank interest income		(2,529)	(392)
Finance costs		1,121	948
Foreign exchange gains, net		(84)	(16)
Fair value losses on convertible redeemable preferred shares		1,507,499	118,026
Fair value losses on convertible bonds		—	12,381
Interest income from wealth management assets		(1,273)	(230)
Fair value gains on financial assets at FVTPL		(722)	(78)
Losses on disposal of items of property, plant and equipment		24	28
Impairment losses on financial assets under ECL model	10	4,147	6,224
Write-down of inventories to net realisable value		1,550	1,814

# Notes to Interim Condensed Consolidated Financial Information

## 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:

Entity	Note	
Wuhan Kindstar Medical Laboratory Co., Ltd. (" <b>Wuhan Kindstar</b> ")	1	15%
Beijing Hightrust Medical Laboratory Co., Ltd. (" <b>Beijing Hightrust</b> ")	2	15%
Shanghai SimpleGene Medical Laboratory Co., Ltd. (" <b>Shanghai SimpleGene</b> ")	3	15%
Xinjiang Kindstar Yijiali Medical Laboratory Co., Ltd. (" <b>Xinjiang Kindstar</b> ")	4,5	note <sup>5</sup>
Sichuan Huaxi Kindstar Medical Laboratory Co., Ltd. (" <b>Huaxi kindstar</b> ")	4,5	note <sup>5</sup>
Chengdu Shengyuan Medical Laboratory Co., Ltd. (" <b>Chengdu Shengyuan</b> ")	4,5	note <sup>5</sup>

#### Note

- (1) Wuhan Kindstar renewed as a "High and New Technology Enterprise" ("**HNTE**") in 2019 and is entitled to a preferential CIT rate of 15% from 2019 to 2021. This qualification is subject to review by the relevant tax authority in the PRC for every three years.
- (2) Beijing Hightrust renewed as a HNTE for a period of three years in 2020 and is entitled to a preferential CIT rate of 15% from 2020 to 2022, respectively. This qualification is subject to review by the relevant tax authority in the PRC for every three years.
- (3) Shanghai SimpleGene was accredited as a HNTE in 2019 and therefore Shanghai SimpleGene was entitled to a preferential CIT rate of 15% from Year 2019 to 2021. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

# Notes to Interim Condensed Consolidated Financial Information

## 6. Income Tax (continued)

Note (continued)

- (4) Under the policies for the Grand Western Development Program, the Group's subsidiaries incorporated in Western China (Xinjiang Kindstar, Huaxi Kindstar and Chengdu Shengyuan) were subject to corporate tax at 15% in the year 2018. The rate applied to companies located in Western China which engaged in the encouraged industries listed in the Grand Western Development Program. The policies were available during 2018 to 2030.
- (5) Xinjiang Kindstar, Huaxi Kindstar and Chengdu Shengyuan are qualified as small-scaled minimal profit enterprises. Pursuant to Caishui [2019] circular No.13, the first RMB1,000,000 of assessable profits of these subsidiaries may be calculated as 25% and be taxed at the preferential CIT rate of 20%. The assessable profits between RMB1,000,000 and RMB3,000,000 may be calculated as 50% and be taxed at the preferential CIT rate of 20%. The policy is available during 2019 to 2021.

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

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current income tax	1,687	5,644
(Over)/under provision in prior years	(71)	123
Deferred income tax	(1,006)	175
Total tax charge for the period	610	5,942

## 7. Dividends

In December 2020, the board of the Company passed a board resolution to distribute special dividends of USD25,000,000 (equivalent to RMB163,521,000) to Ever Prospect Global Limited (“**Ever Prospect**”), a company incorporated in BVI and ultimately controlled by Mr. Tu Zanbing. After netting off with the loans receivable from key management and employee of USD9,814,706 (equivalent to RMB64,149,900), USD5,185,294 (equivalent to RMB34,124,000) and USD10,000,000 (equivalent to RMB65,249,000) were paid to Ever Prospect on 24 November 2020 and 4 January 2021, respectively.

No dividend has been paid or declared by the Company during the six months period ended 30 June 2020.

## 8. Loss Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares assumed to be in issue after taking into account the retrospective adjustment of the Share Subdivision as defined in note 21.

No adjustment has been made to the basic loss per share amounts presented for the reporting periods in respect of a dilution as the impact of convertible redeemable preferred shares and convertible bonds had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of basic loss per share is based on:

	For the six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
<b>Loss</b>		
Loss attributable to ordinary equity holders of the parent (RMB'000)	<b>(1,501,702)</b>	(92,207)
<b>Ordinary shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	<b>145,363,368</b>	106,739,224
Loss per share (RMB per share)	<b>(10.33)</b>	(0.86)

## Notes to Interim Condensed Consolidated Financial Information

### 9. Property, Plant and Equipment

	Laboratory equipment <i>RMB'000</i>	Transportation equipment <i>RMB'000</i>	Other equipment <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
<b>30 June 2021</b> (Unaudited)						
<b>At 1 January 2021:</b>						
Cost	183,494	4,165	31,149	91,871	362	311,041
Accumulated depreciation	(128,633)	(3,289)	(17,598)	(39,321)	—	(188,841)
Net carrying amount	54,861	876	13,551	52,550	362	122,200
At 1 January 2021, net of accumulated depreciation	54,861	876	13,551	52,550	362	122,200
Additions	17,177	844	1,518	2,669	2,519	24,727
Disposals	(19)	—	(9)	—	(152)	(180)
Transfers	(7)	—	7	411	(411)	—
Depreciation provided during the period	(9,412)	(179)	(2,196)	(6,441)	—	(18,228)
At 30 June 2021, net of accumulated depreciation	62,600	1,541	12,871	49,189	2,318	128,519
<b>At 30 June 2021:</b>						
Cost	200,293	5,009	32,500	94,951	2,318	335,071
Accumulated depreciation	(137,693)	(3,468)	(19,629)	(45,762)	—	(206,552)
Net carrying amount	62,600	1,541	12,871	49,189	2,318	128,519

## Notes to Interim Condensed Consolidated Financial Information

### 9. Property, Plant and Equipment (continued)

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

## Notes to Interim Condensed Consolidated Financial Information

### 10. Trade and Bills Receivables

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables	368,679	339,840
Bills receivable	177	677
	<b>368,856</b>	340,517
Allowance for expected credit losses	<b>(33,160)</b>	(30,132)
	<b>335,696</b>	310,385

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

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 1 year	240,784	230,429
1 year to 2 years	69,397	67,772
2 years to 3 years	21,226	9,459
3 years to 4 years	3,664	2,457
4 years to 5 years	471	169
Over 5 years	154	99
	<b>335,696</b>	310,385



## Notes to Interim Condensed Consolidated Financial Information

### 10. Trade and Bills Receivables (continued)

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
At beginning of periods	30,132	23,189
Impairment losses, net	4,147	6,943
Write-off	(1,119)	—
At end of periods	33,160	30,132

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, estimated based on the financial quality of debtors and historical credit loss experience based on the ageing of the trade receivables, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The following table details the risk profile of trade receivables:

	As at 30 June 2021		
	Amount RMB'000 (Unaudited)	Expected loss rate %	Impairment RMB'000
Within 1 year	245,472	1.98%	4,866
1 year to 2 years	78,568	11.67%	9,171
2 years to 3 years	29,082	27.01%	7,856
3 years to 4 years	6,434	43.04%	2,769
4 years to 5 years	2,477	80.99%	2,006
Over 5 years	6,646	97.68%	6,492
	368,679		33,160

## Notes to Interim Condensed Consolidated Financial Information

### 10. Trade and Bills Receivables (continued)

	As at 31 December 2020		
	Amount	Expected loss rate	Impairment
	<i>RMB'000</i> (Audited)	%	<i>RMB'000</i>
Within 1 year	235,723	2.53%	5,971
1 year to 2 years	77,219	12.23%	9,447
2 years to 3 years	13,134	27.98%	3,675
3 years to 4 years	5,004	50.88%	2,546
4 years to 5 years	1,849	90.86%	1,680
Over 5 years	6,911	98.58%	6,813
	339,840		30,132

### 11. Prepayments, Deposits and Other Receivables

Group	30 June	31 December
	2021	2020
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Deposits and other receivables (current)	20,945	21,770
Prepayments		
– current	7,753	4,106
– non-current*	5,031	6,711
Wealth management products (current)**	150,520	60,059
Value-added tax recoverable (current)	533	476
Prepaid expenses (current)	3,240	6,459
Prepaid listing expenses (current)	13,397	6,208
	201,419	105,789

# Notes to Interim Condensed Consolidated Financial Information

## 11. Prepayments, Deposits and Other Receivables (continued)

Analysed into:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Current portion	196,388	99,078
Non-current portion	5,031	6,711
	<b>201,419</b>	105,789

The balances are not secured by collateral.

Other receivables had no historical default. The financial assets included in the above balances relate to receivables were 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 represents prepayments for construction in progress and acquisition of property, plant and equipment.

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

## Notes to Interim Condensed Consolidated Financial Information

### 12. Time Deposits

	30 June 2021 RMB'000	31 December 2020 RMB'000
Current portion	10,000	—
Non-current portion	40,000	—
	<b>50,000</b>	—

As at 30 June 2021, time deposits represents deposits over one year of the group amounted to RMB50,000,000 carried the fixed interest rate ranged from 3.3% to 3.79% per annum with maturity from March 2022 to January 2024.

### 13. Financial Assets at FVTPL

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Current portion Wealth management products	63,261	55,000

During the reporting periods, the Group used surplus capital to purchase structured deposits and money market funds mainly from CITIC Bank, Hankou Bank, SPD Bank and China Merchants Bank, which preserved capital and liquidity. The expected rates of return ranged from 2.0% to 3.7% per annum. For wealth management products, the Group purchased RMB257.5 million and RMB133.0 million and disposed RMB214.0 million and RMB125.0 million, respectively, for the year ended 31 December 2020 and the six months ended 30 June 2021. The Group recorded investment income of RMB0.2 million and RMB0.5 million for the year ended 31 December 2020 and the six months ended 30 June 2021. 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 and money market funds are level 2 of the fair value hierarchy.

## Notes to Interim Condensed Consolidated Financial Information

### 14. Trade and Bills Payables

	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
Bills payable	—	9,042
Trade payables	<b>123,585</b>	122,743
	<b>123,585</b>	131,785

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

	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
Within 1 year	<b>109,661</b>	113,497
1 year to 2 years	<b>5,425</b>	8,978
Over 2 years	<b>8,499</b>	9,310
	<b>123,585</b>	131,785

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

### 15. Other Payables and Accruals

	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
Other payables*	<b>30,722</b>	28,693
Accruals	<b>152,862</b>	133,830
Payroll payable	<b>97,228</b>	94,901
	<b>280,812</b>	257,424

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

# Notes to Interim Condensed Consolidated Financial Information

## 16. Convertible Redeemable Preferred Shares

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

Pursuant to the Series D Preference Share Purchase Agreement dated 14 July 2020, the Company agreed to issue and allot 19,868,842 Series D convertible redeemable preferred shares (“**Series D Preferred Shares**”) in aggregate to the holders of convertible bonds issued by Wuhan Kindstar during 2016 and 2017.

Pursuant to the Series D+ Preference Share Purchase Agreement dated 8 September 2020, the Company agreed to issue and allot 9,698,920 Series D+ convertible redeemable preferred shares (“**Series D+ Preferred Shares**”) in aggregate to an investor for a total consideration of USD20,000,000 or USD2.0621 per share.

During the period from 6 October 2020 to 3 December 2020, the Company entered into Series E Preference Share Purchase Agreements with the Series E Investors, who subscribed 33,962,595 Series E preferred shares of the Company at a total consideration of approximately USD108.3 million or USD3.19 per share.

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

All issued Preferred Shares were automatically converted into 533,850,752 ordinary shares upon the successful initial public offering (the “**IPO**”) of shares of the Company on 16 July, 2021, taking into account the Share Subdivision as defined in note 21.

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

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

# Notes to Interim Condensed Consolidated Financial Information

## 16. Convertible Redeemable Preferred Shares (continued)

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

	Series A	Series B	Series C	Series D	Series D+	Series E	Total
<b>At 31 December 2019</b>							
<b>(Audited)</b>	202,693	309,067	295,768	—	—	—	807,528
Change in fair value	206,980	288,566	243,208	—	87,123	65,557	891,434
Additions	—	—	—	—	136,662	722,247	858,909
Transfer from convertible bonds	—	—	—	420,292	—	—	420,292
Exchange adjustments (note)	(24,730)	(36,190)	(32,786)	—	(11,054)	(19,013)	(123,773)
<b>At 31 December 2020</b>							
<b>(Audited)</b>	384,943	561,443	506,190	420,292	212,731	768,791	2,854,390
Change in fair value	224,888	322,885	284,480	228,991	104,343	341,912	1,507,499
Exchange adjustments (note)	(2,213)	(3,263)	(2,988)	(2,533)	(1,365)	(5,187)	(17,549)
<b>At 30 June 2021</b>							
<b>(Unaudited)</b>	607,618	881,065	787,682	646,750	315,709	1,105,516	4,344,340

Note:

Exchange adjustments presented the effect of exchange on translation from USD balances, which were charged to other comprehensive income.

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

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

# Notes to Interim Condensed Consolidated Financial Information

## 16. Convertible Redeemable Preferred Shares (continued)

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

On 29 June 2021, the Company published the prospectus with share offer at HK\$9.78 per share. The directors of the Company considered high probability of the listing of the Company's shares on the Hong Kong Stock Exchange and determined the fair value of the instruments with reference to the offer price of HK\$9.78 per share in determining the fair value of the Preferred Shares as at 30 June 2020 of RMB4,344,340,000.

## 17. Share Capital

The Company was incorporated on 24 August 2007 with authorised share capital of USD50,000 divided into 50,000,000 ordinary shares ("**Ordinary Shares**") with a par value of USD0.001 each.

On 30 January 2012, the Company increased its authorised share capital to USD200,000 divided into 130,067,668 Ordinary Shares of a par value of USD0.001 each, 18,666,667 Series A Preferred Shares of a par value USD0.001 each, 20,943,230 Series B Preferred Shares of a par value of USD0.001 each, 6,124,021 Series B1 Preferred Shares of a par value of USD0.001 each and 24,198,413 Series C Preferred Shares of a par value of USD0.001 each.

During the year of 2020, the Company increased its authorised share capital to USD500,000 divided into 500,000,000 shares of a par value of USD0.001 each, divided into 366,537,312 Ordinary Shares of a par value of USD0.001 each, 18,666,667 Series A Preferred Shares of a par value of USD0.001 each, 20,943,230 Series B Preferred Shares of a par value of USD0.001 each, 6,124,021 Series B1 Preferred Shares of a par value of USD0.001 each and 24,198,413 Series C Preferred Shares of a par value of USD0.001 each, 19,868,842 Series D Preferred Shares of a par value USD0.001 each and 9,698,920 Series D+ Preferred Shares of a par value USD0.001 each, 33,962,595 Series E Preferred Shares of a par value USD0.001 each.



# Notes to Interim Condensed Consolidated Financial Information

## 17. Share Capital (continued)

### Issued and fully paid

	Number of shares in issue	Share Capital (RMB'000)
As at 31 December 2020 (Audited):		
Ordinary shares of USD0.001 each	36,340,842	242

	Number of shares in issue	Share Capital (RMB'000)
As at 30 June 2021 (Unaudited):		
Ordinary shares of USD0.001 each	36,340,842	242

## 18. Commitments

The Group had the following capital commitments at 30 June 2021 and 31 December 2020:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	10,003	9,190
Equity investments in associates	26,492	26,492
	<b>36,495</b>	35,682

# Notes to Interim Condensed Consolidated Financial Information

## 19. Related Party Transactions

### (a) Name and relationship

Name of related parties	Relationship with the Group
Huang Shiang	Shareholder and executive director
Guo Guirong	Shareholder
Chen Zhong	Shareholder
Tu Zanbing	Key management
Zheng Jianhua	Minority shareholder
成都聖元醫學檢驗實驗室有限公司 ("Chengdu Shengyuan") (note i)	Entity controlled by Huang Shiang
Mayo Foundation for Medical Education and Research ("Mayo Foundation")	Shareholder
Ever Prospect	Entity controlled by key management
天津康聖達醫學檢驗實驗室有限公司 Tianjin Kindstar Medical Laboratory Co., Ltd.* ("Tianjin Kindstar") (note ii)	Entity controlled by Huang Shiang
康聖環球(武漢)醫學特檢技術有限公司 Kindstar Global (Wuhan) Medical Esoteric Technology Co., Ltd. ("Kindstar Global Wuhan") (note iii)	Entity controlled by Huang Shiang
武漢海傑科技有限公司 Wuhan Haijie Technology Co., Ltd. ("Wuhan Haijie")	Entity controlled by Huang Shiang
康聖環球(天津)醫學科技有限公司 Kindstar Global (Tianjin) Technology, Inc. ("Kindstar Global Tianjin")	Entity controlled by Huang Shiang
武漢海希生物科技有限公司 Wuhan Haixi Biological Technology Co., Ltd. ("Haixi Biological Technology")	Entity controlled by Huang Shiang
武漢康聖冷鏈物流有限公司 Wuhan Kindstar Cold Chain Logistics Co., Ltd. ("Kindstar Logistics")	Entity controlled by Huang Shiang

# Notes to Interim Condensed Consolidated Financial Information

## 19. Related Party Transactions (continued)

### (a) Name and relationship (continued)

Name of related parties	Relationship with the Group
武漢益特醫療技術諮詢有限公司 Wuhan Yite Medical Technology Consulting Co., Ltd. ("Wuhan Yite")	Entity controlled by Huang Shiang
武漢海希生命科技有限公司 Wuhan Haixi Life Science Technology Co., Ltd. ("Haixi Life Science Technology")	Entity controlled by Huang Shiang
武漢市康聖優生網絡科技有限公司 Wuhan Kindstar Yousheng Network Technology Co., Ltd. ("Yousheng Network")	Entity controlled by Huang Shiang
康聖新海(武漢)醫學技術有限公司 Kindstar Xinhai (Wuhan) Medical Technology Co., Ltd. ("Kindstar Xinhai")	Entity controlled by Huang Shiang
武漢蒲雲醫學檢驗實驗室有限公司 Wuhan Puyun Medical Laboratory Co., Ltd. ("Wuhan Puyun")	Associate
武漢易檢雲信息技術有限公司 Wuhan yijianyun Information Technology Co., Ltd. ("Wuhan Yijianyun")	Associate

### (b) Significant related party transactions

In addition to the transactions detailed elsewhere in the Interim Financial Information, the Group had the following material related party transactions during the reporting periods:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>Purchases of services</b>		
Wuhan Yite (note i)	534	4,909
Wuhan Puyun (note i)	4,554	8,280
Wuhan Yijianyun (note i)	—	600
Kindstar Logistics (note iii)	30	—
	<b>5,118</b>	<b>13,789</b>

## Notes to Interim Condensed Consolidated Financial Information

### 19. Related Party Transactions (continued)

#### (b) Significant related party transactions (continued)

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Royalty fees</b>		
Mayo Foundation (note ii)	1,234	1,277

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Purchases of reagents</b>		
Haixi Biological Technology (note iv)	3,989	1,291

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Dividend payment</b>		
Ever Prospect (note v)	65,249	—

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Loans to</b>		
Wuhan Puyun (note vi)	20,000	2,750
Wuhan Yijianyun (note vi)	2,000	—
Wuhan Haijie (note vi)	—	2,260
Kindstar Xinhai (note vi)	—	1,000
Kindstar Global Tianjin (note vi)	—	851
	22,000	6,861

## 19. Related Party Transactions (continued)

## (b) Significant related party transactions (continued)

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Repayments of borrowings from</b>		
Wuhan Puyun (note vi)	20,000	—
Wuhan Yijianyun (note vi)	2,000	—
Wuhan Yite (note vi)	1,200	—
Kindstar Xinhai (note vi)	—	1,000
Ordinary shareholders	165	—
Zheng Jianhua (note vii)	430	—
	<b>23,795</b>	<b>1,000</b>

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Deemed interest income from loans to key management</b>		
Huang Shiang (note v)	—	1,119
Chen Zhong (note v)	—	50
Tu Zanbing (note v)	—	30
	<b>—</b>	<b>1,199</b>

## Notes:

- (i) During the reporting periods, Wuhan Kindstar Medical Laboratory Co., Ltd. ("Wuhan Kindstar") purchased labor services from Wuhan Yite, Wuhan Yijianyun and Wuhan Puyun.
- (ii) The royalty fees were paid for the know-how provided by Mayo Foundation, which is a shareholder of the Company. The fees were charged pursuant to the terms in the agreement and supplemented agreements signed between the Company and Mayo Foundation on 18 June 2011, 28 February 2013 and 1 June 2015.
- (iii) During the reporting periods, Wuhan Kindstar purchased transportation services from Kindstar Logistics.
- (iv) During the reporting periods, Wuhan Kindstar purchased reagents from Haixi Biological Technology.

# Notes to Interim Condensed Consolidated Financial Information

## 19. Related Party Transactions (continued)

### (b) Significant related party transactions (continued)

- (v) In November and December 2020, the Company repurchased 7,836,990 options from Ever Prospect at a total consideration of USD 25,000,000 (equivalent to RMB163,521,000) and it was considered as a special dividend declared by the Company pursuant to the board resolutions passed in November and December 2020. After netting off with the loans receivable from key management and employee of USD9,814,706 (equivalent to RMB64,149,900), USD5,185,294 (equivalent to RMB34,124,000) and USD10,000,000 (equivalent to RMB65,249,000) were paid to Ever Prospect on 24 November 2020 and 4 January 2021, respectively and the consideration was fully settled accordingly.
- (vi) During the reporting periods, the Group provided loans to and received payments from certain related parties. The loans are unsecured and payable on demand with interest-free.
- (vii) During the reporting periods, Xinjiang Kindstar repaid the loans from Zheng Jianhua. The loans are unsecured and payable on demand with the interest rate of 6%.

The purchase price was made according to published prices and conditions agreed by the Group and the related parties

### (c) Outstanding balances with related parties

As disclosed in the statements of financial position, the Group had outstanding balances with related parties at 30 June 2021 and 31 December 2020.

#### The Group

##### *Due from related parties*

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Other receivables (non-trade in nature)		
Other loans to shareholders	—	165
Wuhan Yite	307	1,200
Wuhan Yijianyun	117	—
	<b>424</b>	1,365
Other receivables (trade in nature)		
Yousheng Network	595	595
Haixi Life Science Technology	—	100
Wuhan Puyun	—	94
Tianjin Kindstar	7	8
	<b>602</b>	797
Total amounts due from related parties	<b>1,026</b>	2,162

## 19. Related Party Transactions (continued)

### (c) Outstanding balances with related parties (continued)

#### The Group (continued)

#### Due to related parties

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Other payables (non-trade in nature)		
Ever Prospect	—	65,249
Wuhan Haijie	—	950
Zheng Jianhua	—	430
	—	66,629
Other payables (trade in nature)		
Wuhan Puyun	4,700	6,124
Mayo Foundation	1,198	1,435
Haixi Biological Technology	2,340	331
Wuhan Yite	—	56
	8,238	7,946
<b>Total amounts due to related parties</b>	<b>8,238</b>	<b>74,575</b>

The maximum amounts of the non-trade related receivables due from directors during the reporting periods are as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Other receivables		
Huang Shiang	—	51,100

## Notes to Interim Condensed Consolidated Financial Information

### 19. Related Party Transactions (continued)

#### (d) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
Salaries, allowances and benefits in kind	1,668	1,059
Pension scheme contributions	51	82
	<b>1,719</b>	1,141

### 20. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	As at 30 June 2021		As at 31 December 2020	
	Carrying amount <i>RMB'000</i> (Unaudited)	Fair value <i>RMB'000</i> (Unaudited)	Carrying amount <i>RMB'000</i>	Fair value <i>RMB'000</i> (Audited)
<b>Financial assets</b>				
Wealth management products	63,261	63,261	55,000	55,000
<b>Financial liabilities</b>				
Convertible redeemable preferred shares	4,344,340	4,344,340	2,854,390	2,854,390

The Group's finance department headed by the financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the reporting periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for financial reporting.



## Notes to Interim Condensed Consolidated Financial Information

### 20. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair values of lease liabilities have been calculated by discount the expected future cash flows using rate currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed to be approximate to their carrying amounts.

#### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 30 June 2021 (Unaudited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
<b>Financial assets</b>				
Financial assets at FVTPL	—	63,261	—	63,261
<b>Financial liabilities</b>				
Convertible redeemable preferred shares	—	4,344,340	—	4,344,340

As at 31 December 2020 (Audited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
<b>Financial assets</b>				
Financial assets at FVTPL	—	55,000	—	55,000
<b>Financial liabilities</b>				
Convertible redeemable preferred shares	—	—	2,854,390	2,854,390

# Notes to Interim Condensed Consolidated Financial Information

## 20. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

### Fair value hierarchy (continued)

During the reporting periods, there was no transfers of fair value measurements between Level 1 and Level 2 for both financial assets and financial liabilities.

As at 30 June 2021, the convertible redeemable preferred shares transferred from Level 3 to Level 2. With the shares of the Company have been listed on the Hong Kong Stock Exchange since 16 July 2021, the convertible redeemable preferred shares are measured with reference to public trading price of the shares, which is a significant observable input to the fair value measurement of the instruments.

## 21. Events After the Reporting Period

Saved as disclosed in elsewhere of the report, the following significant events took place subsequent to 30 June 2021:

- a) Pursuant to a shareholders' resolution passed on 22 June, 2021, the authorized share capital of the Company was subdivided on a 1-to-4 basis upon the initial public offering and as a result, the par value was changed from US\$0.001 per each share to US\$0.00025 per each share and the authorized share capital of the Company of US\$500,000 was subdivided into 2,000,000,000 Shares of US\$0.00025 each share (the "**Share Subdivision**").
- b) The Company was successfully listed on the Main Board of the Hong Kong Stock Exchange on 16 July 2021. In connection with the Company's listing, 226,405,000 new shares of the Company were issued and allotted at the offering price of HK\$9.78 per share. The gross proceeds arising from the IPO amounted to approximately HK\$2,214 million (approximate to RMB1,997 million). Upon the completion of the listing, all of the convertible redeemable preferred shares were automatically converted into ordinary shares and the carrying amount of the financial liabilities at that time were transferred to equity, which will result in the change from a net liability position to a net asset position on the statement of financial position.
- c) On 19 August 2021, Wuhan Kindstar entered into the equity transfer agreement (the "**Agreement**") with Zheng Jianhua and Xinjiang Yijiali Medical Technology Service Co., Ltd., pursuant to which Wuhan Kindstar agreed to acquire an aggregate of 43% equity interest in Xinjiang Kindstar at a total consideration of RMB25,800,000, subject to price adjustment in accordance with the terms and conditions of the Agreement. Upon completion of the acquisition, Xinjiang Kindstar will become a wholly-owned subsidiary of Wuhan Kindstar.