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Kindstar Globalgene Technology, Inc.

康聖環球基因技術有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9960)

**SUPPLEMENTAL ANNOUNCEMENT
ON CONNECTED TRANSACTIONS IN RELATION TO
THE ACQUISITION OF 21.77% EQUITY INTEREST
AND
CAPITAL INCREASE IN THE TARGET COMPANY**

Reference is made to the announcements of Kindstar Globalgene Technology, Inc. (the “**Company**”, together with its subsidiaries, the “**Group**”) dated December 1 and 10, 2021 (the “**Announcements**”) in relation to the Acquisition of 21.77% equity interest and Capital Increase in the Target Company. Unless otherwise specified, capitalized terms used herein shall have the same meanings as those defined in the Announcements.

The Board would like to provide additional information in relation to the Acquisition and Capital Increase as follows:

Basis of consideration

(a) The valuation methodology, basis and assumption

For the valuation analysis, the market approach was adopted in deriving the fair value of the equity interest of the Target Company. Under the market approach, the price-to-sales (“**P/S**”) ratio (market capitalization to 2021 forward revenue) and price-to-earnings (“**P/E**”) ratio (stock price to 2021 forward earnings per share), as of October 31, 2021, from the comparable companies were adopted for valuation analysis for the Target Company.

(b) The price-to-earnings ratio and the price-to-sales ratio of the Target Group and its market comparables

Based on the market data from listed comparable companies, the median P/S ratio of market comparables was approximately 8 times, and median P/E ratio of listed comparable companies was approximately 23 times. After applying a marketability discount of 19%, the median P/S ratio was approximately 6.5 times and median P/E ratio was approximately 18.6 times, which were the reference P/S ratio and P/E ratio for the adjusted valuation of the Target Company when calculating the Compensation Equity Interest.

(c) Selection basis of the comparables

The comparable public companies were selected with reference to the following selection criteria:

- is primarily engaged in the in vitro diagnostics industry;
- has its primary operations in China; and
- information of the comparable companies must be extracted from a reliable source.

In consideration of the current political situation and macro-economy, the Company considered that the future capital activities relating to the Target Company will be mainly carried out in Mainland China. Accordingly, the listed comparable companies traded on the Shanghai Stock Exchange (“SHSE”) or Shenzhen Stock Exchange (“SZSE”) were selected.

The Company has identified a total of 15 companies in the in vitro diagnostics industry whose shares are traded on SHSE and SZSE. These listed comparable companies represented an exhaustive list of comparable companies satisfying the above selection criteria.

Based on the above selection criteria, the list of comparable companies with their market ratios as of 31 October 2021 is as follows:

	Company Name	Stock Exchange and Stock Code	P/S ratio Financial Year 2021	P/E ratio Financial Year 2021	Revenue Growth Financial Year 2021	Net Profit Margin Financial Year 2021	Net debt-to-equity (“D/E”) Ratio 2021/10/31
1	Lepu Medical Technology (Beijing) Co., Ltd	SZSE:300003	3.54	15.17	34%	23%	4%
2	Anhui Anke Biotechnology (Group) Co., Ltd.	SZSE:300009	9.12	40.83	29%	23%	0%
3	Shenzhen Lifotronic Technology Co.,Ltd	SHSE:688389	12.35	47.00	39%	26%	0%
4	Sansure Biotech Inc.	SHSE:688289	4.95	9.09	-9%	54%	0%
5	Amoy Diagnostics Co., Ltd.	SZSE:300685	18.85	73.17	30%	26%	0%
6	Shanghai Kehua Bio-Engineering Co.,Ltd.	SZSE:002022	N/A	N/A	N/A	N/A	0%
7	Shanghai Runda Medical Technology Co.,Ltd	SHSE:603108	0.68 (Note)	13.62	25%	5%	83%
8	Zhejiang Orient Gene Biotech Co., Ltd	SHSE:688298	1.79	3.49	192%	51%	0%
9	Jiangsu Bioperfectus Technologies Co., Ltd	SHSE:688399	N/A	N/A	N/A	N/A	0%
10	Shenzhen New Industries Biomedical Engineering Co., Ltd.	SZSE:300832	11.50	30.63	29%	36%	0%
11	Beijing Hotgen Biotech Co., Ltd.	SHSE:688068	N/A	N/A	N/A	N/A	0%
12	Maccura Biotechnology Co.,Ltd	SZSE:300463	3.45	15.63	21%	23%	5%
13	Beijing Wantai Biological Pharmacy Enterprise CO., LTD.	SHSE:603392	32.73	95.45	74%	31%	0%
14	Guangdong HybriBio Biotech Co.,Ltd.	SZSE:300639	3.41	10.18	75%	30%	0%
15	Autobio Diagnostics CO., Ltd	SHSE:603658	8.21	31.45	31%	26%	0%
	Mean (rounded off to the nearest whole number)		10	32	48%	30%	6%
	Median (rounded off to the nearest whole number)		8	23	31%	26%	0%
	The Target Company				83%	40%	0%

Sources: S&P Capital IQ and the management accounts of the Target Company

Note: Shanghai Runda Medical Technology Co.,Ltd (“**Runda Medical**”) was considered to be an outlier because of its high D/E ratio. According to S&P Capital IQ, the D/E ratio of Runda Medical was 83% and those of other comparable companies were close to 0% as of October 31, 2021. With consideration that the Company’s final valuation conclusion was based on the P/S ratio and exclusion of P/E ratio of Runda Medical made the median P/E ratio higher, the Company did not exclude the P/E ratio of Runda Medical from its valuation analysis.

The Company compared the revenue growth rate and net profit margin of the Target Company with those of the comparable companies and the Company decided to select median of the ratios for the valuation analysis with overall consideration of the following reasons:

- it is noted that the range of ratios of the comparable companies is large. Hence the Company selected the median of the ratios to minimize the impact of outliers; and
- the revenue growth and the net profit margin of the Target Company are much higher than the median revenue growth and the median net profit margin of the comparable companies, while the size of the Target Company is less than those of the comparable companies.

(d) Adjustments made to the valuation with basis

The Company has adopted the lack of marketability discount (“**LOMD**”) in the valuation analysis. The LOMD reflects the fact that there is no ready market for shares in a closely held corporation. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

The Option-Pricing Model, especially the Finnerty Model, was adopted to estimate the discount for lack of marketability. Key inputs included the following elements:

- **Time to Liquidity:** reflects the number of years to a hypothetical exit or liquidity event for investors in the Target Company. A 3-year period of Time to Liquidity is applied with assumption of a possible liquidity event (e.g., merger and acquisition) at that time;
- **Implied Equity Volatility:** the volatility was estimated based primarily on the historical changes in stock prices of the comparable companies over a period similar to the Time to Liquidity. Based on the calculation, the implied equity volatility was 50%; and
- **Dividend Yield:** the Target Company did not pay dividend historically and has no plan to pay dividend in the future, and as such, a 0.0% Dividend Yield was applied.

Based on the parameters and assumptions above, a LOMD of 19.0% was adopted in the valuation analysis.

(e) Directors' assessment of the consideration

The Board considered that the consideration is fair and reasonable due to the following reasons:

- 1) in assessing the fairness of the consideration for the Target company, the Company considered it was appropriate to refer to the abovementioned valuation analysis; and
- 2) as disclosed in the Announcements, the Acquisition and Capital Increase can (i) promote and realize the Group's strategy to expand into the upstream of esoteric clinical testing service, i.e. research, manufacturing and sales of reagents, and (ii) solidify the Company's control of and dominance over the business operations and development of the Target Group, which could further enhance the Company's profitability.

Based on the foregoing, the Directors (including the independent non-executive Directors) considered the consideration for the Acquisition and Capital Increase are fair and reasonable and in the interests of the Company and its shareholders as a whole.

All information as set out in the Announcements remain unchanged and shall continue to be valid for all purposes, while this announcement is supplemental to and should be read in conjunction with the Announcements.

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

Hong Kong, December 31, 2021

As of the date of this announcement, the Board comprises Dr. Huang Shiang, Mr. Tu Zanbing and Ms. Chai Haijie as executive Directors, Mr. Huang Zuie-Chin, Mr. Peng Wei and Ms. Huang Lu as non-executive Directors, and Dr. Yao Shanglong, Dr. Xia Xiping and Mr. Gu Huaming as independent non-executive Directors.