



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



2023
Annual Report

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Definitions

“AGM”	the annual general meeting of the Company to be held on Wednesday, June 5, 2024
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Audit Committee”	the audit committee of the Board
“Auditor”	Ernst & Young, the auditor of the Company
“Beijing Hightrust”	Beijing Hightrust Medical Laboratory Co., Ltd. (北京海思特醫學檢驗實驗室有限公司) (formerly known as Beijing Hightrust Clinical Laboratory Co., Ltd. (北京海思特臨床檢驗所有限公司)), a limited liability company established under the laws of the PRC and a PRC Consolidated Entity
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Chengdu Shengyuan”	Chengdu Shengyuan Medical Laboratory Co., Ltd. (成都聖元醫學檢驗實驗室有限公司), a limited liability company established under the laws of the PRC and a PRC Consolidated Entity
“CG Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“China” or “PRC”	the People’s Republic of China and, except where the context requires and only for the purpose of this report, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan. “Chinese” shall be construed accordingly
“Companies Act”	the Companies Act (2023 Revision) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company,” “our Company”, “the Company” or “Kindstar Global”	Kindstar Globalgene Technology, Inc., (康聖環球基因技術有限公司) an exempted company with limited liability incorporated under the laws of the Cayman Islands, the shares of which are listed on the Main Board (stock code: 9960)
“COVID-19”	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
“CRO”	Contract Research Organizations

“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)
“Guangzhou Xinuo”	Guangzhou Xinuo Medical Laboratory Co., Ltd. (廣州希諾醫學檢驗實驗室有限公司), a limited liability company established under the laws of the PRC and a PRC Consolidated Entity
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huaxi Kindstar”	Sichuan Huaxi Kindstar Medical Laboratory Co., Ltd. (四川華西康聖達醫學檢驗有限公司), a limited liability company established under the laws of the PRC and a PRC Consolidated Entity
“IFRS”	International Accounting Standards (“ IAS ”), International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board (“ IASB ”)
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not our connected persons or associates of our connected persons as defined under the Listing Rules
“Kindstar Beijing WFOE”	Kindstar Global (Beijing) Technology, Inc. (康聖環球(北京)醫學技術有限公司) (formerly known as Kangxing Shengda (Beijing) Technology Co., Ltd. (康興聖達(北京)科技有限公)), a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of the Company
“Kindstar Biotech”	Wuhan Kindstar Biotech Technology Co., Ltd. (武漢康聖貝泰生物技術有限公司), a limited liability company established under the laws of the PRC and a PRC Consolidated Entity
“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

Definitions

“Kindstar Investment”	Kindstar (Wuhan) Investment Management Co., Ltd. (康聖環球(武漢)投資管理有限公司), a limited liability company established under the laws of the PRC and a PRC Consolidated Entity
“Kindstar Wuhan WFOE”	Kindstar Global Medical Technology (Wuhan) Co., Ltd. (康聖環球醫學科技(武漢)有限公司), a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of the Company
“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”	April 23, 2024, being the latest practicable date for ascertaining certain information and data contained in this annual report prior to its bulk printing and 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
“Memorandum and Articles of Association”	the memorandum and articles of association of the Company, as amended from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“Nomination Committee”	the nomination committee of the Company
“Option”	a right to subscribe for Shares granted pursuant to the terms of the Post-IPO Option Scheme
“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 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
“Remuneration Committee”	the remuneration committee of the Company
“Reorganization”	the reorganization of the Group in preparation of the Listing, details of which are set out in “History, Development and Corporate Structure” in the Prospectus
“Reporting Period”	the year ended December 31, 2023
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai SimpleGene”	Shanghai SimpleGene Medical Laboratory Co., Ltd. (上海新培晶醫學檢驗所有限公司) (formerly known as Shanghai Meizhong Clinical Testing Center Co., Ltd. (上海美眾臨床檢驗中心有限公司) and Shanghai Meizhong Medical Laboratory Co., Ltd. (上海美眾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
“Shanghai Xinuo”	Shanghai Xinuo Medical Laboratory Co., Ltd. (上海希諾醫學檢驗實驗室有限公司), a limited liability company established under the laws of the PRC and a PRC Consolidated Entity
“Share(s)”	ordinary share(s) in the share capital of the Company with a par value of US\$0.00025 each
“Share Subdivision”	the share subdivision referred to in “Appendix IV – Statutory and General Information – A. Further Information about Our Company and Our Subsidiaries – 4. Written Resolutions Passed by Our Shareholders on June 22, 2021” in the Prospectus where, upon completion of the conversion of the preference shares, our Directors be authorized to subdivide each of our issued and unissued shares of par value US\$0.001 each into four Shares of par value US\$0.00025 each, such that following the Share Subdivision, the authorized share capital of the Company shall be US\$500,000 divided into 2,000,000,000 Shares of par value US\$0.00025 each
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

Definitions

“Tianjin Kindstar”	Tianjin Kindstar Medical Laboratory Co., Ltd. (天津康聖達醫學檢驗實驗室有限公司) (formerly known as Ounuoan (Tianjin) Medical Technology Co., Ltd. (歐諾安(天津)醫學科技有限公司)), a limited liability company established under the laws of the PRC and a PRC Consolidated Entity
“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 Haixi”	Wuhan Haixi Life Science Technology Co., Ltd (武漢海希生命科技有限公司), a limited liability company established under the laws of the PRC
“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
“Xinjiang Kindstar”	Xinjiang Kindstar Medical Laboratory Co., Ltd. (新疆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
“%”	percent

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. Lee Mei Yi

Authorized Representatives

Ms. Chai Haijie

Ms. Lee Mei Yi

Hong Kong Legal Advisors

Jingtian & Gongcheng LLP

Suites 3203-3207

32/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

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

Corporate Information

Principal Place of Business in Hong Kong

5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

Company's Website

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
17/F, Far East Finance Centre
16 Harcourt Road
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

Five-Year Financial Summary

Condensed Consolidated Statement of Comprehensive Income

	2023	Year ended December 31,			
		2022	2021	2020	2019
<i>RMB'000</i>					
Revenue	967,260	1,386,591	930,673	891,391	832,791
Gross profit	451,129	603,055	485,770	460,981	452,214
Gross profit margin	46.64%	43.50%	52.20%	51.70%	54.30%
Profit/(Loss) before tax	43,322	83,316	(1,453,988)	(962,352)	(168,605)
Profit/(Loss) for the year	36,447	77,484	(1,454,234)	(970,120)	(169,582)
Non-IFRS measure ⁽¹⁾ :					
Adjusted net income	36,447	77,484	81,055	91,979	53,326

Condensed Consolidated Statement of Financial Position

	2023	As at December 31,			
		2022	2021	2020	2019
<i>RMB'000</i>					
Assets					
Non-current assets	960,630	976,544	530,791	221,724	218,296
Current assets	2,708,579	2,748,800	2,658,168	1,355,235	446,127
Total assets	3,669,209	3,725,344	3,188,959	1,576,959	664,423
Liabilities					
Non-current liabilities	30,457	10,062	11,738	2,880,713	28,944
Current liabilities	743,771	861,553	452,413	530,661	1,434,900
Total liabilities	774,228	871,615	464,151	3,411,374	1,463,844
Total equity/(deficit)	2,894,981	2,853,729	2,724,808	(1,834,415)	(799,421)

Chairman's Statement

Dear Shareholders, Customers and Colleagues:

At this moment of looking back and forward, it is my privilege as the Chairman of Kindstar Global to present to you our efforts and accomplishments over the past year, especially the significant progress in the field of medical esoteric testing services. During the year, we have experienced many challenges together, but we have also reaped fruitful results, witnessing the growing strength of the Company and the continuous improvement of our service quality.

Looking back: staying true to our mission and overcoming challenges

The past year has been very challenging for us. In the face of macro-level fluctuations, we strengthened our determination to play a central role in the field of medical esoteric testing services. Our team has always been committed to providing comprehensive, advanced and accurate specialty esoteric testing in the spirit of "giving priority to patients' interests and doctors' needs". On the basis of our traditional strengths in hematology, neurology and other specialties, we are actively developing new specialties such as ophthalmology, cardiovascular diseases and rheumatology, and we have begun to develop endocrinology and dermatology. During the year, we continued to optimize our service processes and improve the timeliness and accuracy of our tests to ensure that we provide high-quality medical testing results to doctors and patients.

Technology and innovation: promoting the improvement of service quality

With the rapid development of science and technology today, we are well aware that innovation is the inexhaustible driving force for corporate development. Since the date of our listing, we have continued to invest in research and development ("R&D") in the field of medical esoteric testing, and have successfully developed a number of new technologies and products. MicroLym-ALL genetic mutation test was widely recognized in clinical practice. Hereditary angioedema testing became the first of its kind in the industry. Next Generation Sequencing ("NGS") kit for Human Leukocyte Antigen ("HLA") category filled the gap in the industry. These innovations not only improved the efficiency and accuracy of our services, but also met the needs of doctors and patients.

Collaboration and win-win results: partnering for a better future

We believe that close cooperation with partners is the key to achieving win-win results and promoting the development of the industry. During the year, we not only strengthened our cooperation with existing partners, but also actively expanded new partnerships, signing cooperation agreements with Cytek, NovaSeq, HybriBio, Shimadzu of Japan and other renowned companies in the industry, establishing Guangzhou SouthMed Kindstar Biotechnology Co., Ltd., a joint venture with the Southern Medical University to boost neurological testing, and reaching agreement on the construction of hematology precision diagnostic testing platforms with a number of leading hospitals. We also actively sought for partners globally, to promote the international development of our esoteric testing business.

Looking ahead, we will continue to strive to be the leader in specialty diagnosis and treatment and personalized medical diagnosis in China, and to promote the development of precision medicine in China.

I would like to express my special thanks to all shareholders for their unwavering support, customers for their trust and choice, and employees for their hard work and dedication.

Chairman

Huang Shiang

Hong Kong

March 27, 2024

Business Review and Outlook

Specialty Esoteric Testing Business

In 2023, we accelerated the development of specialty esoteric testing business in ophthalmology, cardiovascular and rheumatology on the basis of furthering our traditional strengths in hematology and neurology. During the Reporting Period, while industry policies tightened and competition became more keen due to macro impact, we continued to maintain the lead in terms of products and technology firmly based on the development of our core R&D capabilities, while increasing our efforts to further expand market channels and strengthening in-depth cooperation with hospitals and pharmaceutical companies, so as to achieve growth in business scale.

Esoteric Testing Reagents

Our esoteric testing reagent business grew steadily in 2023. In terms of products, 22 new Conformance Européenne (“CE”) certified products were added, and the newly launched NGS kit for HLA category filled the gap in the industry, with over 150 types of reagents in total. In terms of markets, our products won the bids of a number of large-scale Class IIIA hospitals in China, and witnessed significant growth in NGS and other capture products. In 2023, in order to make up for the shortfall in production capacity, we completed the validation of the 2000 square meters Good Manufacturing Practice (“GMP”) plant, which met the registration requirements of the National Medical Products Administration for Class III medical devices. Looking forward to 2024, we will further strengthen our product capabilities and actively promote the admission for esoteric testing reagent products.

Immune Repertoire

During the Reporting Period, our core product, Lymscan, was adopted in 24 provinces, with the annual revenue growth of 140% year-on-year. Fantekang, a product for immune reconstitution and monitoring, and KB-SEQ, a product for health monitoring, are also on the eve of commercialization. In 2023, we formed substantial research collaborations with a number of leading institutions in China to further explore the clinical mechanism exploration and translational application of immune repertoire in the fields of hematology, solid tumors and autoimmunity. Looking forward to 2024, with the commercialization and promotion of new products, we expect the immune repertoire business will maintain high growth.

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

During the Reporting Period, we had 14 new service contracts, involving cell therapy, gene editing, lymphoma and other therapeutic areas, with the value of new contracts amounting to approximately RMB14 million, the value of existing contract amounting to over RMB40 million. We formally introduced PacBio third-generation sequencing technology to empower the cohort study and single cell study for the patients. Leveraging the top three saturation of instrument operation and good sequencing quality in the industry, we become the first batch of companies being accredited by the official service provider PacBio Revio in Asia Pacific area. Looking forward to 2024, we will strive to further integrate our advantageous resources and expand the scientific research services and market size CRO business, in order to achieve rapid growth.

Management Discussion and Analysis

Industry and Policy

During the Reporting Period, due to the fluctuations in the macro economy in China, hospital customers and industry players were affected to varying degrees. As a leader in China's esoteric testing industry, we are still full of confidence in the development of the industry. The status quo of the industry with large market space, low penetration rate and high technical requirements has not changed. Fluctuations in the macro environment will intensify the liquidation of companies in the industry. Those with diversified esoteric testing products and established esoteric testing channels will excel, and strategic merger(s) and acquisition(s) ("**M&A**") opportunities will emerge.

Business Strategy

We responded to industry fluctuations with proactive business strategies. (i) Based on the demand, we improved the efficiency of R&D, built multi-specialty product series, and maintained the advantages in "high, sophisticated, cutting-edge, and new" projects; (ii) we improved the channel construction, paid attention to the in-depth cooperation with the leading hospitals in different specialties, actively participated in the construction of precision centers, regional centers and healthcare consortiums; (iii) we comprehensively expanded the international market, and took the opportunity of bringing esoteric testing service and esoteric testing reagents overseas; (iv) we promoted the rapid growth of emerging businesses such as immune repertoire, esoteric testing reagents, CROs and scientific research services; and (v) we grasped the opportunities of industrial M&A and integration.

Research and Development ("**R&D**")

R&D is the core competitiveness of Kindstar. During the Reporting Period, we developed 186 new R&D testing projects, including 75 projects related to molecular biology testing technology, 32 projects related to flow cytometry testing technology, 42 projects related to cytogenetics testing technology, 19 projects related to pathology testing technology, and 18 projects related to clinical testing. In 2023, we paid more attention to collaborative R&D across technology platforms, such as fluorescenceactivated cell sorter ("**FACS**") combined with Fluorescence In Situ Hybridization ("**FISH**") testing. Our new product MicroLym-ALL genetic mutation test was widely recognized in clinical practice, benefitting patients in diagnosis, treatment, prognosis, and medication. The establishment and validation of the AL Panel for full-spectrum flow immunophenotyping screening of acute leukemia was approved by the European Society for Clinical Cell Analysis (ESCCA) and the International Clinical Cytometry Society (ICCS).

Management Discussion and Analysis

New Specialties

During the Reporting Period, the revenues from esoteric testing in three new specialties of cardiovascular diseases, ophthalmology and rheumatology, reached RMB10 million.

In terms of cardiovascular diseases, the Company established a strategic partnership with Shimadzu of Japan. With the completion of the construction of multiple technology platforms such as liquid chromatography tandem mass spectrometry, inductively coupled plasma mass spectrometry, and time-of-flight mass spectrometry, we were able to provide over 200 genetic tests for hypertension, bleeding and thrombotic disorders, dyslipidemia, coronary heart disease, myocarditis and heart failure, pharmacogenetics and hereditary diseases, and covering nearly 1,000 customers.

In terms of ophthalmology, our 4 autoimmune retinopathy antibody items became the first ophthalmic immune antibody testing in China. The Company had 95 new Class IIIA hospital customers, completing the coverage of capital-level cities and their neighboring cities in 12 provinces nationwide.

In terms of rheumatology, we focused on creating myositis antibody and antiphospholipid antibody products, with more than 130 testing items available, and 250 new hospital customers for testing. We made significant breakthroughs in some of the leading hospitals, and are gradually promoting our products to more hospitals.

External Investment and M&A

During the Reporting Period, there was a significant increase of M&A and external investment opportunities in the Independent Clinical Laboratory (“ICL”) field due to the fluctuations in the capital market and macro environment. The Company actively sought opportunities for external M&A and investment from its own operation. We will focus on the team, technology, market and scale of the target companies, and prioritize those with core competitiveness in the specialty esoteric testing business.

Management Discussion and Analysis

Financial review

The table below sets forth our consolidated statements of profit or loss for the periods indicated, together with the change (expressed in percentages) from the year ended December 31, 2022 to the corresponding period of 2023:

	For the year ended December 31,		
	2023 RMB'000	2022 RMB'000	Year-on- year change %
REVENUE	967,260	1,386,591	(30.2)
Cost of sales	(516,131)	(783,536)	(34.1)
Gross profit	451,129	603,055	(25.2)
Other income and gains	138,094	68,870	100.5
Selling and marketing expenses	(307,781)	(360,562)	(14.6)
Administrative expenses	(105,626)	(80,406)	31.4
Research and development costs	(105,337)	(101,226)	4.1
Other expenses	(19,123)	(43,898)	(56.4)
Finance costs	(8,034)	(2,517)	219.2
PROFIT BEFORE TAX	43,322	83,316	(48.0)
Income tax expense	(6,875)	(5,832)	17.9
PROFIT FOR THE YEAR	36,447	77,484	(53.0)
Attributable to:			
Owners of the parent	41,286	75,457	(45.3)
Non-controlling interests	(4,839)	2,027	(338.7)

Management Discussion and Analysis

Revenue

We organize our businesses into ten segments, including hematology testing, neurology testing, maternity-related testing, genetic disease and rare disease testing, infectious disease testing, oncology testing, COVID-19-related testing, routine testing, CRO and scientific research services and others.

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

	For the year ended December 31,				
	2023		2022		Year-on-year change
	RMB'000	%	RMB'000	%	%
Hematology testing	590,308	61.0%	525,800	38.0	12.3
Neurology testing	96,603	10.0%	95,350	6.9	1.3
Maternity-related testing	55,418	5.8%	49,961	3.6	10.9
Genetic disease and rare disease testing	46,715	4.8%	42,778	3.1	9.2
Infectious disease testing	49,001	5.1%	47,693	3.4	2.7
Oncology testing	32,064	3.3%	17,872	1.3	79.4
COVID-19-related testing	–	–	536,625	38.7	–
Routine testing	57,473	5.9%	57,439	4.1	0.1
Scientific research services and CRO	26,393	2.7%	7,937	0.6	232.5
Others	13,285	1.4%	5,136	0.3	158.7
Total	967,260	100.0	1,386,591	100.0	(30.2)

Management Discussion and Analysis

The table below sets forth the average price of testing services and the number of tests of the Company for the periods presented.

	For the year ended December 31,			
	2023		2022	
	Average Price <i>in (RMB)</i>	Testing Volume <i>(in thousands)</i>	Average Price <i>in (RMB)</i>	Testing Volume <i>(in thousands)</i>
Hematology testing	690	850	684	768
Neurology testing	1,314	73	1,261	76
Maternity-related testing	121	456	111	449
Genetic disease and rare disease testing	239	194	231	184
Infectious disease testing	227	214	225	211
Oncology testing	1,395	23	1,102	16
Routine testing	78	735	75	760
Total	379	2,545	307	2,464
COVID-19-related testing ⁽¹⁾	–	–	3.62	148,394

Management Discussion and Analysis

During the Reporting Period, we did not have revenue generated from COVID-19-related testing, and other specialty testing businesses all achieved positive growth. Excluding the COVID-19-related testing, the average price of tests of the Company during the Reporting Period was RMB379.0, representing a year-on-year increase of 23.5%, and the testing volume amounted to 2.5 million, representing a year-on-year increase of 3.3%.

Hematology testing

Our revenue from hematology testing services for the year ended December 31, 2023 amounted to RMB590.3 million, representing a year-on-year increase of 12.3%. During the Reporting Period, the R&D of new items, such as B cell subset monitoring item and quantitative monitoring item for 48 rare fusion genes was completed to accept the testing. We had 88 new hospital customers for the year. 9 precise platforms were jointly established.

Neurology testing

Our revenue from neurology testing services for the year ended December 31, 2023 amounted to RMB96.6 million, representing a year-on-year increase of 1.3%. During the Reporting Period, we offered testing items on various platforms of immunity, infection, heredity, etc. and additional genetic testing for comprehensive medication against neuropsychiatric disorders, such as anti-depression, anti-anxiety. We additionally collaborated with 29 hospitals, jointly founded Guangzhou Nanyi Kangsheng Biotechnology Co., Ltd. (廣州南醫康聖生物技術有限公司) with Southern Medical University, and joined Neuroimmune Disorder Association of Sichuan Province (四川省神經免疫疾病聯盟).

Maternity-related testing

Our revenue from maternity-related testing services for the year ended December 31, 2023 amounted to RMB55.4 million, representing a year-on-year increase of 10.9%. During the Reporting Period, we strengthened the technology platform of mass spectrometry and molecular testing. The application of prenatal diagnostic testing based on the second generation Novaseq 6000 sequencing platform was widely concerned in the industry.

Genetic disease and rare disease testing

Our revenue from genetic disease and rare disease testing services for the year ended December 31, 2023 amounted to RMB46.7 million, representing a year-on-year increase of 9.2%. During the Reporting Period, we increasingly valued differentiated products and services. The upgraded whole exon genetic testing item achieved short testing time, higher detection rate and accuracy.

Infectious disease testing

Our revenue from infectious disease testing services for the year ended December 31, 2023 amounted to RMB49.0 million, representing a year-on-year increase of 2.7%. During the Reporting Period, the pathogen related testing increased significantly in number as compared to the same period. We newly offered the nanopore sequencing item is widely concerned. The number of partnering hospitals increased to more than 1,400, representing a year-on-year increase of 16% during the Reporting Period.

Management Discussion and Analysis

Oncology testing

Our revenue from oncology testing services for the year ended December 31, 2023 amounted to RMB32.1 million, representing a year-on-year increase of 79.4%. During the Reporting Period, we improved Minimal Residual Disease (“MRD”) monitoring solutions for solid tumor, offered various testing items for rare tumors, such as soft tissue sarcoma and neuroblastoma, and collaborated with more than 20 new hospitals.

CRO and scientific research testing service

Our CRO and scientific research testing service generated a revenue of RMB26.4 million for the year ended December 31, 2023. During the Reporting Period, the Company gave full play to the advantages in the hematology field to actively promote the collaboration with Novartis and HEC Pharm, etc. We provided customized research services by introducing tri-generation sequencing technology, PacBio, which enables us to become the first batch of enterprises that obtained the certification of PacBio Revo official service provider in Asia Pacific.

Cost of Sales

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

	For the year ended 31 December				Year-on-year change %
	2023		2022		
	RMB'000	%	RMB'000	%	
Staff costs	147,585	28.6	134,335	17.1	9.9
Outsourcing costs	90,583	17.6	333,538	42.6	(72.8)
Raw material	173,200	33.6	210,673	26.9	(17.8)
Others	104,763	20.2	104,990	13.4	(0.2)
Total	516,131	100.0	783,536	100.0	(34.1)

Our cost of sales decreased by 34.1% from RMB783.5 million for the year ended December 31, 2022 to RMB516.1 million, which was due to a significant drop in outsourced costs and raw materials costs resulting from the decline in the COVID-19 related testing operations.

Management Discussion and Analysis

Gross Profit, Gross Profit Margin and Segment Results

For the year ended December 31, 2023, we recorded a consolidated gross profit of RMB451.1 million, representing a year-on-year decrease of 25.2%, with a consolidated gross profit margin of 46.6% representing a year-on-year increase of 3.1 percentage points. The above changes in our gross profit and gross profit margin compared with the corresponding period were primarily due to: (i) a decrease in income and gross profit of the Group without COVID-19 related testing income during the Reporting Period; and (ii) a significant increase in non-COVID-19-related testing income and its proportion, and an increase in gross profit margin of the Group resulting from the high gross profit margin level of specialty testing such as hematology and neurology.

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

	For the year ended December 31,				
	2023	% of	2022	% of	Year-on-year change %
	Segment result RMB'000	segment revenue	Segment result RMB'000	segment revenue	
Hematology testing	107,761	18.3	157,282	29.9	(31.5)
Neurology testing	16,972	17.6	17,064	17.9	(0.5)
Maternity-related testing	1,303	2.4	3,106	6.2	(58.0)
Genetic disease and rare disease testing	4,664	10.0	6,229	14.6	(25.1)
Infectious disease testing	5,484	11.2	9,720	20.4	(43.6)
Oncology testing	6,053	18.9	1,406	7.9	330.5
COVID-19-related testing	–	–	44,767	8.3	(100.0)
Routine testing	592	1.0	2,644	4.6	(77.6)
Scientific research services and CRO	3,031	11.5	937	11.8	223.5
Others	(2,512)	(18.9)	(662)	(12.9)	279.5
Total	143,348	14.8	242,493	17.5	(40.9)

During the Reporting Period, the Company's overall operating result was RMB143.3 million, representing a decrease of 40.9% as compared with RMB242.5 million for the corresponding period in 2022, which was primarily due to (i) a significant drop in segment result of COVID-19-related testing; and (ii) a new enrollment of partial employees and an increase in investment of partial equipment, and the overall scale effect of the Company required to be further improved during the Reporting Period.

Other Income and Gains

Our other income and gains increased by 100.4% from RMB68.9 million for the year ended December 31, 2022 to RMB138.1 million, which was primarily affected by interest income, the government grants and fair value fluctuations related to fund equity.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 14.6% from RMB360.6 million for the year ended December 31, 2022 to RMB307.8 million, which was primarily due to a decrease in COVID-19-related marketing expenses and the gradual optimization of sale and marketing teams.

Administrative Expenses

Our administrative expenses increased by 31.4% from RMB80.4 million for the year ended December 31, 2022 to RMB105.6 million, which was primarily due to an increase in administrative and management costs as a result of business expansion.

Research and Development Costs

Our research and development costs increased by 4.1% from RMB101.2 million for the year ended December 31, 2022 to RMB105.3 million. The increase in the research and development costs was primarily because we maintained reasonable R&D investment. During the Reporting Period, we had 168 new R&D testing projects.

Other Expenses

For the year ended December 31, 2023, our other expenses were RMB19.1 million, representing a decrease of 56.4% as compared to RMB43.9 million for the corresponding period in 2022. Other expenses mainly refer to the provision for impairment loss on assets.

Finance Costs

Our finance costs increased by 219% from RMB2.5 million for the year ended December 31, 2022 to RMB8.0 million. The increase in finance costs was due to the reasonable financial planning by the Company and increased bank borrowings.

Income Tax Expense

Our income tax expense increased from RMB5.8 million for the year ended December 31, 2022 to RMB6.9 million for the corresponding period in 2023.

Management Discussion and Analysis

Profit for the Year

The Company's profit for the year decreased by 53.0% from RMB77.5 million for the year ended December 31, 2022 to RMB36.4 million.

Liquidity and Capital Resources

We have maintained a comprehensive treasury policy, detailing specific functions and internal control measures for capital use. These functions and measures include but are not limited to procedures of capital management and liquidity management. We manage and maintain our liquidity through the use of internally generated cash flows from operations, bank borrowings and proceeds from the Global Offering and the Listing of the Shares on the Main Board of the Stock Exchange. We regularly review our major funding positions to ensure that we have adequate financial resources in meeting our financial obligations. We will manage our idle funds, if any, to improve the efficiency of capital utilisation on the premise of keeping the risks under control. The management and use of idle funds of the Company are currently mainly aimed at ensuring the safety of funds and achieving reasonable returns.

For the year ended December 31, 2023, we funded our working capital and other capital expenditure requirements through a combination of income generated from operations, investments received and the proceeds from the Global Offering. The following table sets forth a summary of our cash flows for the periods indicated.

	For the year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Net cash flows (used in)/from operating activities	(14,780)	21,407
Net cash flows from/(used in) investing activities	854,922	(1,345,153)
Net cash flows (used in)/from financing activities	(82,827)	97,644
Net increase/(decrease) in cash and cash equivalents	757,315	(1,226,102)
Cash and cash equivalents at the beginning of the year	680,359	1,796,700
Effect of foreign exchange rate changes, net	35,125	109,761
Cash and cash equivalents at the end of the year	1,472,799	680,359

Cash and cash equivalents

For the year ended December 31, 2023, our net cash used in operating activities was RMB14.8 million.

For the year ended December 31, 2023, our net cash generated from investing activities was RMB854.9 million, mainly for the purchase of time deposits.

For the year ended December 31, 2023, our net cash flows used in financing activities was RMB82.8 million, primarily attributable to bank loan financing, Share repurchases and restricted share unit purchases.

Management Discussion and Analysis

As a result of the foregoing, our cash and cash equivalents were primarily held in Renminbi and United States dollars, which increased by 116.5% from RMB680.4 million as of December 31, 2022 to RMB1,472.8 million as of December 31, 2023.

During the Reporting Period, we conducted business in China, and most of our transactions were settled in Renminbi. Our presentation and functional currency are Renminbi. We were not exposed to significant foreign exchange risk since we did not have any significant financial assets or liabilities denominated in currencies other than Renminbi, except that cash at banks deposited in the United States dollars or Hong Kong dollars primarily from investors as capital contributions. The foreign exchange risk exposure of the Group mainly comes from the risk of exchange of United States dollars to Renminbi and Hong Kong dollars. We managed our foreign exchange risk by regularly reviewing net foreign exchange exposures, and conducted risk management. For the year ended December 31, 2023 and up to the date of this report, the Group had not used any financial instruments to hedge against any risk exposures (including currency risk). The hedging activities period of the Group shall not exceed twelve months. The management of the Group continued to pay attention to the market environment and the Group's own foreign exchange risk profile, and considered to taking appropriate hedging measures when necessary.

Indebtedness

For the year ended December 31, 2023, as we had utilized a credit limit of RMB233.4 million for bank financing, our unutilized banking facilities were RMB296.6 million as at December 31, 2023. As at December 31, 2023, the borrowings of the Group at fixed interest rates ranging from 2.75% to 3.0% per annum were approximately RMB152.9 million, details of which are set out in Note 28 to the consolidated financial statements in this annual report.

Gearing ratio

The Group monitored capital on the basis of the gearing ratio. That ratio is calculated by dividing the total borrowings as shown in the consolidated balance sheet by the share capital and reserves attributable to the equity holder of the Company. As of December 31, 2023, the total borrowings are RMB152.9 million, total share capital and reserves attributable to the equity holder of the Company is RMB2,872.0 million, the gearing ratio is 5.3%.

Capital Expenditures

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

	For the year ended December 31,	
	2023 RMB'000	2022 RMB'000
Purchases of property, plant and equipment	168,758	119,666
Purchases of other intangible assets	6,112	4,643
Total	174,870	124,309

Management Discussion and Analysis

Contingent Liabilities

As of December 31, 2023, we did not have any material contingent liabilities.

Significant Investments and Future Plans for Material Investments or Capital Assets

As of December 31, 2023, we did not hold any significant investment. In addition, save for the expansion plans as disclosed in the sections headed “Business” and “Future Plans and Use of Proceeds” in the Prospectus, we have no future plans for material investments or capital assets.

Material Acquisitions and Disposals

On June 18, 2023, Wuhan Kangsheng Venture Capital Management Co., Ltd. (武漢康聖創業投資管理有限公司) (“**Kindstar Venture Capital**”), a non-wholly owned PRC Consolidated Entity, and Tianjin Haichuang Archipelago Investment Management Co., Ltd. (天津海創群島投資管理有限公司) (each as a general partner), and 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, and Tianjin Haitai Haihe Biomedical Industry Fund Partnership (Limited Partnership) (天津海泰海河生物醫藥產業基金合夥企業(有限合夥)) (each as a limited partner) entered into a partnership agreement for the formation of a partnership (the “**Partnership I**”). The total capital contribution by all partners of the Partnership I shall be RMB200,000,000, of which RMB120,000,000 shall be contributed by Kindstar Venture Capital and Kindstar Wuhan Investment in aggregate. For details, please refer to the announcement of the Company dated June 18, 2023.

On August 22, 2023, Kindstar Global (Shanghai) Technology, Inc (康聖環球(上海)醫學科技有限公司) (the “**Purchaser**”), a PRC Consolidated Entity, and Hunan Yandi Biotech Limited (湖南炎帝生物工程股份有限公司) (the “**Vendor**”) entered into a housing sales and purchase agreement (the “**Sales and Purchase Agreement**”), pursuant to which the Purchaser has agreed to purchase, and the Vendor has agreed to sell, Block 4 and block 5, Caohejing Kangqiao Business Park, 2555 Xiupu Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, the PRC at a total consideration of RMB162,734,824 in accordance with the terms and conditions of the Sales and Purchase Agreement. For details, please refer to the announcement of the Company dated August 22, 2023.

On November 12, 2023, Kindstar Wuhan Investment, a PRC Consolidated Entity, Wuhan Industrial Development Fund Co., Ltd. (武漢產業發展基金有限公司) and Wuhan Optics Valley Innovation Investment Fund Co., Ltd (武漢光谷創新投資基金有限公司) (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 a partnership (the “**Partnership II**”). The total capital contribution by all partners of the Partnership II shall be RMB300,000,000, of which RMB177,000,000 shall be contributed by Kindstar Wuhan Investment. For details, please refer to the announcement of the Company dated November 12, 2023.

Save as disclosed above, during the Reporting Period, we did not conduct any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Charges on Group Assets

As of December 31, 2023, we did not have any charged assets.

Employees

As of December 31, 2023, we had 3,125 employees in total and most of them were located in Hubei and Sichuan Provinces, Beijing and Shanghai. We conduct new staff training regularly to guide new employees and help them adapt to the new working environment. In addition, we provide online and in-person formal and comprehensive company-level and department-level training to our employees on a quarterly basis in addition to on-the-job training. We also encourage our employees to attend external seminars and workshops to enrich their technical knowledge and develop competencies and skills, and provide training and development programs to our employees and external training sessions from time to time to improve their technical skills and ensure their awareness and compliance with our various policies and procedures.

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

The Company adopted the pre-IPO stock incentive plans on March 14, 2013, December 20, 2015 and December 1, 2016. As of December 31, 2023, options to subscribe for 5,081,772 Shares, representing approximately 0.52% of the then total issued share capital of the Company, were outstanding and held by the grantees. On June 22, 2021, the Company also adopted the Post-IPO RSU Scheme and Post-IPO Option Scheme, of which our employees are eligible participants, effective upon the Listing Date. Details of the Post-IPO RSU Scheme and the Post-IPO Option Scheme are set out in the sections headed "Statutory and General Information – E. Post-IPO RSU Scheme" and "Statutory and General Information – F. Post-IPO Option Scheme" in Appendix IV to the Prospectus. As of December 31, 2023, no restricted share unit or option had been granted or agreed to be granted under the Post-IPO RSU Scheme or Post-IPO Option Scheme, respectively.

Significant Events After the Reporting Period

There are no significant events subsequent to December 31, 2023 and up to the Latest Practicable Date which could have a material impact on our operating and financial performance.

Use of Proceeds from the Global Offering

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

Management Discussion and Analysis

Intended use of proceeds	Percentage of intended use of proceeds (%)	Intended use of proceeds from the Global Offering (In HKD millions)	Unutilized net proceeds as of December 31, 2022 (In HKD millions)	Actual Amount of use for the year ended December 31, 2023 (In HKD millions)	Unutilized net proceeds as of December 31, 2023 (In HKD millions)	Timeframe for utilisation of the unused balance
Sales and marketing of our existing esoteric testing service lines to cover more hospitals, especially Class III hospitals						
Sales, marketing and expansion of hematology testing business	15	308.0	224.2	107.6	200.4	By June 30, 2025
Sales, marketing and expansion of genetic diseases and rare diseases and maternity-related testing business	10	205.4	167.4	42.7	162.7	By June 30, 2025
Sales, marketing and expansion of oncology, infectious disease and neurology testing businesses	10	205.4	147.7	68.3	137.1	By June 30, 2025
Research and development of our existing esoteric testing service lines						
Research and development of hematology testing	6.7	136.9	60.0	103.9	33.0	By June 30, 2025
Research and development of genetic diseases and rare diseases and maternity-related testing	6.7	136.9	129.3	118.9	18.0	By June 30, 2025
Research and development of neurology, infectious disease, oncology and routine testing	6.7	136.9	124.5	16.2	120.7	By June 30, 2025
Development and commercialization of new lines of esoteric testing services						
	15	308.0	278.7	70.6	237.4	By June 30, 2025

Management Discussion and Analysis

Intended use of proceeds	Percentage of intended use of proceeds (%)	Intended use of proceeds from the Global Offering (/In HKD millions)	Unutilized net proceeds as of December 31, 2022 (/In HKD millions)	Actual Amount of use for the year ended December 31, 2023 (/In HKD millions)	Unutilized net proceeds as of December 31, 2023 (/In HKD millions)	Timeframe for utilisation of the unused balance
Expansion across the industry value chain by acquiring attractive technology or testing-related companies that are complementary and synergistic to our existing businesses	5	102.7	76.0	26.7	76.0	By June 30, 2025
Increasing our testing capacity	10	205.4	111.8	171.6	33.8	By June 30, 2025
Overseas expansion into markets outside of China	5	102.7	102.7	–	102.7	By June 30, 2025
Working capital and other general corporate purposes	10	205.4	161.3	62.7	142.7	–
Total	100.0	2,053.6	1,583.4	789.2	1,264.5	

Note:

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

We currently have no intention to change the use of the unutilized net proceeds and have been actively monitoring the market environment for appropriate timing to implement our plans. It is currently expected that the unutilized net proceeds will be fully utilized by June 30, 2025, subject to changes in market conditions and policies and the timing when appropriate opportunities arise in the industry. To the extent that the net proceeds from the Global Offering are not immediately applied for the above purposes and to the extent permitted by the relevant law and regulations, we intend to deposit the net proceeds only into short-term deposits with licensed financial institutions in Hong Kong or the PRC. We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

Directors and Senior Management

Our Directors

Executive Directors

Dr. Huang Shiang (黃士昂), aged 65, was appointed as our Director on February 22, 2011, and re-designated as our executive Director on February 8, 2021. Dr. Huang was also appointed as the chief medical officer of the Company on September 30, 2020 and as the chairman of the Board (the “**Chairman**”) and the chief executive officer of the Company (the “**Chief Executive Officer**”) on February 8, 2021. Dr. Huang founded our Group in 2003. He is responsible for overall strategic planning and business direction of our Group and management of our Company.

Dr. Huang has over 36 years of experience in medical practice, research, diagnosis and management. Dr. Huang started his career at Union Hospital affiliated to Tongji Medical University (同濟醫科大學附屬協和醫院) (currently known as “Union Hospital affiliated to Tongji Medical College of Huazhong University of Science and Technology (華中科技大學同濟醫學院附屬協和醫院)”, “**Union Hospital**”) in June 1986, where he served as a resident doctor and later served as an attending doctor. From June 1989 to April 1994, Dr. Huang served as a visiting research scientist and later as a research scientist at Becton Dickinson Immunocytometry Systems in the United States. From July 1994 to 1995, Dr. Huang worked as a senior scientist at Applied Imaging Corporation. From 1995 to 1998, Dr. Huang served as an associate project scientist at UCSD Cancer Center. From 2000 to June 2001, Dr. Huang worked as a vice president and chief technology officer at W.B. Technologies, Inc.

Dr. Huang has been working at the Union Hospital since 2001 as a distinguished professor and later as a professor. Dr. Huang received his Bachelor of Sciences in Medicine from Wuhan Medical College (武漢醫學院) (currently known as “Tongji Medical College of Huazhong University of Science and Technology (華中科技大學同濟醫學院)”) and his Master of Medicine from Tongji Medical University (同濟醫科大學) (currently known as “Tongji Medical College of Huazhong University of Science and Technology (華中科技大學同濟醫學院)”) in Wuhan, Hubei Province, the PRC, in August 1983 and July 1986, respectively. He has become a registered practicing physician in Mainland China since May 1999.

Dr. Huang currently holds directorship in the following major subsidiaries and operating entities of our Group: Wuhan Kindstar, Beijing Hightrust, Shanghai SimpleGene, Chengdu Wenjiang Kangshengyou Medical Internet Hospital Co., Ltd. (成都溫江康聖友醫互聯網醫院有限公司) (“**Wenjiang Kangshengyou Medical**”) and Kindstar Biotech.

Dr. Huang is the spouse of Ms. Guo Gui-Rong and father of Mr. Huang Bo, substantial shareholders of the Company, who owned 14.85% and 10.07% of the issued share capital of the Company respectively as of December 31, 2023. Dr. Huang is also the founder of Shiang Huang Family Trust which owned 5.16% of the issued share capital of the Company as of December 31, 2023.

Mr. Tu Zanbing (涂贊兵), aged 51, was appointed as our Director on December 4, 2020, and re-designated as our executive Director on February 8, 2021. Mr. Tu was also appointed as our chief operating officer on February 8, 2021. Mr. Tu joined our Group in August 2003.

Mr. Tu worked as an engineer at the Fourth Railway Design Institute (鐵道第四設計院) from October 2000 to October 2001, and later as a vice director of operating department in the industrial development center from October 2001 to December 2002.

Directors and Senior Management

Mr. Tu has been the general manager of Wuhan Kindstar since August 2003. He has also been the general manager of Huaxi Kindstar since December 2017. From April 2014 to August 2015, Mr. Tu served as the general manager of Shanghai SimpleGene. Mr. Tu currently holds directorship in the following major subsidiaries and operating entities of our Group: Wuhan Kindstar, Xinjiang Kindstar, Shanghai SinoPath Medical Laboratory Co., Ltd. (上海信諾佰世醫學檢驗有限公司), Wuhan HumanCell Biotechnology Co., Ltd (武漢鴻蒙賽爾生物科技有限公司) and Wuhan Kindstar Kindan Medical Laboratory Co., Ltd (武漢康聖金岸醫學檢驗有限公司), and is the general manager of Wenjiang Kangshengyou Medical. Mr. Tu was appointed as a director of Wuhan Kindstar Venture Capital Management Co., Ltd. (武漢康聖創業投資管理有限公司), which had become our non-wholly owned PRC Consolidated Entity since May 22, 2023, with effect from August 19, 2022. He was appointed as a general manager in Kindstar Xuyuan Biotechnology (Wuhan) Co., Ltd. (康聖序源生物科技(武漢)有限公司) since January 4, 2023. He was appointed as a director of Wuhan Xino Medical Biotechnology Co., Ltd. (武漢希諾醫學生物科技有限公司) since March 17, 2023. He was appointed as a director of Guangzhou Nanyi Kangsheng Biotechnology Co., Ltd. (廣州南醫康聖生物技術有限公司) since March 24, 2023. He was appointed as a director of Hunan Kangshengda Medical Testing Laboratory Co., Ltd. (湖南康聖達醫學檢驗實驗室有限公司) since May 22, 2023. He was appointed as a director of Kindstar Global (Shanghai) Medical Technology Co., Ltd. (康聖環球(上海)醫學科技有限公司) since July 11, 2023.

Mr. Tu received his Bachelor's degree in Automation and Master's degree in Business Administration from Huazhong University of Science and Technology (華中科技大學) (formerly known as "Huazhong Institute of Technology (華中理工大學)") in Wuhan, Hubei Province, the PRC, in April 1999 and December 2002, respectively.

Ever Prospect Global Limited is wholly-owned by Mr. Tu. Accordingly, Mr. Tu was deemed to be interested in the 38,624,144 Shares held by Ever Prospect as of December 31, 2023. According to voting proxy arrangements, Ms. Guo Gui-Rong, a substantial shareholder of the Company, has effective control over the voting rights attached to the Shares held by Ever Prospect.

Ms. Chai Haijie (柴海節), aged 45, was appointed as our Director on December 4, 2020, and re-designated as our executive Director on February 8, 2021. Ms. Chai was also appointed as the chief financial officer of the Company (the "**Chief Financial Officer**") and joint company secretary on February 8, 2021. Ms. Chai joined our Group in July 2014.

Ms. Chai has over 19 years of experience in finance and accounting. She began her career at KPMG Shanghai Office from August 2004 to September 2008. From September 2008 to November 2010, Ms. Chai served as a senior accountant in the Ernst & Young Hua Ming Wuhan Branch. From December 2010 to November 2012, Ms. Chai worked as the chief financial officer of Hubei Grand Trio Investment Management Co., Ltd. (湖北鴻鼎投資管理有限公司). She subsequently worked at Wuhan Yuansheng Optoelectronic Communication Industry Investment Co., Ltd. (武漢源生光電通信產業投資有限責任公司) from May 2013 to June 2014.

Ms. Chai currently holds directorship in the following major subsidiary and operating entity of our Group: Wuhan Kindstar, Kindstar Investment and Wuhan Haixi.

Ms. Chai received her Bachelor's degree in Financial Administration and her Master's degree in Business Administration from Huazhong University of Science and Technology (華中科技大學) in Wuhan, Hubei Province, the PRC, in June 2001 and June 2004, respectively. She passed the National Uniform Examination for Certified Public Accountants in March 2006, and obtained the qualification of certified public accountant from Chinese Institute of Certified Public Accountants in January 2011.

Directors and Senior Management

Non-executive Director

Mr. Huang Zuie-Chin (黃瑞璿), aged 58, was appointed as our Director on January 30, 2012 and re-designated as our non-executive Director on February 8, 2021.

Mr. Huang has over 36 years of biological executive and investment experience since graduation from Stanford University. In June 2011, he joined Kleiner Perkins Caufield & Byers China (凱鵬華盈中國基金) as a managing partner and focuses on the firm's life science practice. Mr. Huang is also the founding managing partner of Panacea Venture Healthcare Fund I, L.P., Panacea Venture Healthcare Fund II, L.P. and Panacea Opportunity Fund I, L.P., which are venture capitals focusing on investments in innovative and transformative early and growth stage healthcare and life sciences companies worldwide.

Mr. Huang also concurrently holds the following positions outside our Group:

- a director of CASI Pharmaceuticals, Inc., a company whose shares are listed on NASDAQ Capital Market (ticker symbol: CASI), from April 2013 to March 2023;
- the chairman of the board of Windtree Therapeutics, Inc., a company whose shares are listed on NASDAQ Capital Market (ticker symbol: WINT), from January 2019 to April 2023;
- a director and the chairman of the board of Alaunos Therapeutics, a company whose shares are listed on NASDAQ Capital Market (ticker symbol: TCRT) from July 2020 and January 2021 to September 22, 2023, respectively;
- an executive director of Auto Italia Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 720), from July 2020 to July 2023; and
- a director of the board of Connect Biopharma Holdings Limited, a company whose shares are listed on Nasdaq Global Market (ticker symbol: CNTB) since February 12, 2024.

Mr. Huang graduated from University of California, Berkeley in the United States with a bachelor of science degree in chemical engineering in May 1988. He obtained a master of business administration degree from the Stanford Graduate School of Business in the United States in June 1992.

Mr. Peng Wei (彭偉), aged 37, was appointed as our Director on October 27, 2020, and re-designated as our non-executive Director on February 8, 2021.

Mr. Peng joined the Monitor Group (currently known as Monitor Deloitte) in 2008 after graduation and worked as a consultant until July 2011. Mr. Peng has served respectively as an investment manager from July 2013 to December 2015, a vice-president from January 2016 to December 2017 and a principal from January 2018 to December 2018 of Shanghai Panxin Equity Investment Management Co., Ltd. (上海磐信股權投資管理有限公司). Mr. Peng served as a principal of Tianjin Panmao Enterprise Management Partnership (Limited Partnership) (天津磐茂企業管理合夥企業(有限合夥)) from January 2019 to September 2020 and has served as a principal of Beijing Panmao Investment Management Co., Ltd (北京磐茂投資管理有限公司) since October 2020.

Mr. Peng received his Bachelor's degree in Information Engineering from Shanghai Jiao Tong University (上海交通大學) in Shanghai, the PRC, in July 2008, and his Master of Business Administration from Yale University, New Haven, Connecticut, the United States in May 2013.

Ms. Huang Lu (黃璐), aged 50, was appointed as our Director on September 9, 2020 and re-designated as our non-executive Director on February 8, 2021.

Ms. Huang worked as a resident doctor at Shanghai Second Medical University School of Clinical Medicine (上海第二醫科大學市六臨床醫學院) (currently known as "Clinical Medical School of the Sixth People's Hospital affiliated to Shanghai Jiao Tong University (上海交通大學六院臨床醫學院)") after graduation from Shanghai Second Medical University (上海第二醫科大學) (currently known as "Shanghai Jiao Tong University School of Medicine (上海交通大學醫學院)"). Ms. Huang worked as a member of the Marketing Department at Continuum Health Partners. Ms. Huang worked as investment director from October 2003 to July 2016 in Morningside IT Management Services (Shanghai) Co. Ltd. (晨興信息科技諮詢(上海)有限公司), and has been worked as Managing Director since August 2016 in HCA (Shanghai) Consulting Co Ltd (卓聲諮詢(上海)有限公司).

Ms. Huang has been a non-executive director of Stealth BioTherapeutics Corp, a company listed on the NASDAQ (stock symbol: MITO), from June 2018 to December 2020. Ms. Huang has been a non-executive director of LumiraDx Limited, a company listed on the NASDAQ (stock symbol: LMDX), from October 2018 to November 2023.

Ms. Huang received her Bachelor's degree in Clinical Medicine from Shanghai Second Medical University (上海第二醫科大學) (currently known as "Shanghai Jiao Tong University School of Medicine (上海交通大學醫學院)") in Shanghai, the PRC, in July 1997, and received her Master of Business Administration from St. John's University, New York, the United States, in September 2002.

Independent Non-executive Directors

Dr. Yao Shanglong (姚尚龍), aged 68, was appointed as our independent non-executive Director on June 29, 2021.

Dr. Yao once served as the director of anesthesiology department and later as the deputy dean in Union Hospital. Dr. Yao served as the chairman of the Chinese Society of Anesthesiologists under Chinese Medical Doctor Association (中國醫師協會) from April 2011 to April 2014. He was the associate chairman of Chinese Society of Anesthesiology under Chinese Medical Association (中華醫學會) from August 2012 to November 2018.

Dr. Yao received his Bachelor's degree in medicine from Wannan Medical College (皖南醫學院), in Wuhu, Anhui Province, the PRC in August 1982, and received his Master's degree in medicine and Doctor's degree in medicine from Tongji Medical University (同濟醫科大學) (currently known as "Tongji Medical College of Huazhong University of Science and Technology (華中科技大學同濟醫學院)"), in Wuhan, Hubei Province, the PRC in July 1987 and June 1990, respectively.

Directors and Senior Management

Dr. Xia Xinping (夏新平), aged 58, was appointed as our independent non-executive Director on June 29, 2021.

Dr. Xia has solid academic background and extensive experience in finance. Dr. Xia started to work at Huazhong University of Science and Technology (華中科技大學), where, between August 1987 and June 1991, Dr. Xia served as a teaching assistant; between June 1991 and June 1996, he served as a lecturer; between June 1996 and May 2000, he served as an associate professor. He has been serving as a professor under the Department of Finance under the School of Management of Huazhong University of Science and Technology (華中科技大學) (the “**School of Management**”) since May 2000. Between January 2003 and December 2011, he also served as the Vice Dean of the School of Management.

Since May 2019, Dr. Xia has been serving as an independent non-executive director and the chairman of the audit committee of Gemdale Properties and Investment Corporation Limited (金地商置集團有限公司) (stock code: 0535), a company listed on the Stock Exchange. In discharging his duties as the chairman of the audit committee, he has reviewed, monitored, and discussed with the management, among other things, accounting principles and practices, internal control, risk management, adequacy of resources, qualifications and experience of the staff, connected and continuing connected transactions, and financial reporting matters. Dr. Xia has also been responsible in ensuring the full, complete and accurate disclosure in the financial statements pursuant to the accounting standards and other legal requirements relating thereto. Dr. Xia was also an independent director of Gemdale Corporation (金地(集團)股份有限公司) (stock code: 600383), a company listed on the Shanghai Stock Exchange, from May 2009 to April 2017 and was the chairman of the audit committee of that company from 2010 to 2017. In discharging his duties, he reviewed and discussed with the management, among other things, annual audited financial statements of Gemdale Corporation published during his tenure. Since April 2017, Dr. Xia has also been served as an independent director of Hubei Fuxing Science and Technology Co., Ltd. (湖北福星科技股份有限公司) (stock code: 000926), a company listed on the Shenzhen Stock Exchange. From May 2014 to June 2020, he was an independent director of Shenzhen New Nanshan Holding (Group) Co., Ltd. (深圳市新南山控股(集團)股份有限公司) (formerly known as “Yahgee Modular House Co., Ltd. (雅緻集成房屋股份有限公司)” and “Yahgee Modular House (Group) Co., Ltd. (雅緻集成房屋(集團)股份有限公司)”) (stock code: 002314), a company listed on the Shenzhen Stock Exchange. He was also on the Board of Fiberhome Telecommunication Technologies Co., Ltd. (烽火通信科技股份有限公司) (stock code: 600498), a company listed on the Shanghai Stock Exchange, as an independent director from December 2011 to December 2017. He was appointed as an independent director of Hubei Dinglong Co., Ltd (湖北鼎龍控股股份有限公司)(stock code: 300054), a company listed on the Shenzhen Stock Exchange, since May 12, 2023.

Dr. Xia received his Bachelor’s degree in Engineering, Master’s degree in Management and Doctor’s degree in Management from Huazhong University of Science and Technology (華中科技大學) (formerly known as “Huazhong Institute of Technology (華中工學院)” and “Huazhong University of Science and Technology (華中理工大學)”) in Wuhan, Hubei Province, the PRC in July 1985, June 1990 and June 2000, respectively.

Mr. Gu Huaming (顧華明), aged 60, was appointed as our independent non-executive Director on June 29, 2021.

After graduation, and between May 1993 and February 1996, Mr. Gu worked at J.J.B. Hilliard, W.L. Lyons, LLC (acquired by Robert W Baird & Co. incorporated in April 2019). After that, Mr. Gu served as the Strategic Planner at Emerson Electric Co., the Business Development Director at GE Plastics Pacific and the Senior Vice President at EQT Partners Asia Limited. Mr. Gu joined Baird Investment Advisor Co., Ltd in July 2007 as a partner to source, evaluate, execute and monitor investments in China and Asia Pacific area. Mr. Gu has also been a director of Vega Global Limited since January 2020, and a director of PCA Sign Resources SDN. BHD. since November 2018, respectively.

Mr. Gu is also a founding member of the Finance Advisory Board of the Gatton College of Business and Economics at the University of Kentucky since January 2020.

Mr. Gu received his Bachelor's degree in Philosophy from Renmin University of China (中國人民大學) in Beijing, the PRC, in July 1986. Mr. Gu also obtained a Master's degree in Business Administration from the University of Kentucky, Kentucky, the United States, in May 1993.

Mr. Gu was the director of the following companies which were incorporated in Hong Kong and subsequently dissolved during his tenure:

- On March 10, 2016, Mr. Gu was appointed as a director of DIAMOND PAGODA LIMITED, a private company limited by shares incorporated in Hong Kong engaged in the investment holding, which was dissolved on August 30, 2019 by way of voluntary dissolution.
- On March 10, 2016, Mr. Gu was appointed as a director of RAINBOW ORBIT LIMITED, a private company limited by shares incorporated in Hong Kong engaged in the investment holding, which was dissolved on June 14, 2019 by way of voluntary dissolution.

Mr. Gu further confirmed (i) the above companies were solvent immediately prior to such dissolutions; (ii) there was no wrongful act on his part leading to such dissolutions and was not aware of any actual or potential claim that had been or would be made against him as a result of such dissolutions of the above companies; and (iii) no misconduct or misfeasance on his part had been involved in such dissolutions.

Directors and Senior Management

Senior Management

Our senior management is responsible for the day-to-day management of our business. Dr. Huang Shiang, Mr. Tu Zanbing and Ms. Chai Haijie, executive Directors of our Company, are also members of our senior management team. See their biographies in the paragraph headed “Executive Directors”.

Joint Company Secretaries

Ms. Chai Haijie (柴海節), our executive Director and the Chief Financial Officer, was appointed as our joint company secretary on February 8, 2021. Please see her biography in the paragraph headed “Executive Directors”.

Ms. LEE Mei Yi (李美儀), was appointed as our independent joint company secretary on August 15, 2022.

Ms. Lee is an executive director of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

Ms. Lee has over 26 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Lee is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

Corporate Governance Report

The Board of Directors (the “**Board**”) is pleased to report to the Shareholders on the corporate governance of the Company for the year ended December 31, 2023.

Corporate Governance Culture

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to Shareholders;
- that the interests of those who deal with the Company are safeguarded;
- that overall business risk is understood and managed appropriately;
- the delivery of high-quality products and services to the satisfaction of customers; and
- that high standards of ethics are maintained.

The Board has set out the following values to provide guidance on employees’ conduct and behaviours as well as the business activities, and to ensure they are embedded throughout the Company’s vision, mission, policies and business strategies:

- (a) Integrity – we strive to do what is right;
- (b) Excellence – we aim to deliver excellence;
- (c) Collaboration – we are always better together;
- (d) Accountability – we are accountable for delivering on our commitments;
- (e) Empathy – we care about our stakeholders – employees, customers, supply chain and the community; and
- (f) Sustainability – we are committed to a sustainable future.

The Group will continuously review and adjust, if necessary, its business strategies and keep track of the changing market conditions to ensure prompt and proactive measures will be taken to respond to the changes and meet the market needs to foster the sustainability of the Group.

Corporate Governance Report

Corporate Governance Practices

The Board is committed to maintaining high corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the CG Code as the basis of the Company's corporate governance practices.

The Board is of the view that during the Reporting Period, the Company has complied with the code provisions as set out in the CG Code, except for the deviation from code provision C.2.1 described in the paragraph headed "Chairman and Chief Executive Officer" in this report.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code during the Reporting Period.

The Company has also established written guidelines (the "**Employees Written Guidelines**") no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company in respect of securities in the Company as referred to the CG Code.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

Board of Directors

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance, assumes responsibility for its leadership and control and be collectively responsible for promoting the Company's success by directing and supervising the Company's affairs. Directors takes decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement. The Board has delegated the day-to-day operation of the Company to the management while matters affecting the Company's overall strategies, policies and financial matters are reserved to the Board.

Board Composition

The Board currently comprises nine Directors, consisting of three executive Directors, three non-executive Directors, and three independent non-executive Directors.

The composition of the Board is as follows:

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

The biographical information of the Directors and relationships between the Directors and substantial shareholders are set out in the section headed "Directors and Senior Management" on pages 28 to 34 of this report.

None of the members of the Board is related to one another.

Chairman and Chief Executive Officer

Code provision C.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 and Chief Executive Officer 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 and continues to act as the Chief Executive Officer.

Corporate Governance Report

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

The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of Chairman and Chief Executive Officer is necessary.

Independent Non-executive Directors

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Board Independence Evaluation

The Company has established a Board independence evaluation mechanism (the “**Board Independence Evaluation Mechanism**”) during the Reporting Period which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard shareholders’ interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board independence evaluation report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the year ended December 31, 2023, all Directors has completed the independence evaluation in the form of a questionnaire individually. The Board independence evaluation report was presented to the Board and the evaluation results were satisfactory.

During the year ended December 31, 2023, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) of the Company are appointed for a specific term of three years, subject to renewal after the expiry of the then current term.

All the Directors of the Company are subject to retirement by rotation and re-election at the annual general meetings. Under the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Articles of Association also provides that all Directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first annual general meeting after appointment. The retiring Directors shall be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for and has general powers over the management and operation of our business, including determining our business strategies and investment plans, implementing resolutions, and exercising other powers, functions and duties as conferred by the Articles of Association. The Board also assumes the responsibilities for developing and reviewing the policies and practices of the Company on corporate governance, risk management and internal control and compliance with legal and regulatory requirements.

The Board should assume responsibility for leadership and control of the Company, and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

Corporate Governance Report

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors arising out of corporate activities.

Continuous Professional Development of Directors

According to code provision C.1.4 of the CG Code, directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate.

During the Reporting Period, each of the Directors has complied with the code provision C.1.4 of the CG Code. The Company organized training sessions conducted by the qualified professionals/legal advisers for all Directors. The training sessions covered a wide range of relevant topics including directors' duties and responsibilities, corporate governance and regulatory updates. In addition, relevant reading materials including compliance manual/legal and regulatory updates/seminar handouts have been provided to the Directors for their reference and studying.

The training records of the Directors for the Reporting Period are summarized as follows:

Directors	Type of Training <small>Note</small>
Executive Directors	
Dr. Huang Shiang	✓
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	✓

Note:

During the Reporting Period, all Directors attended training sessions and received training materials, including from the Company's lawyers.

Board Committees

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 7.

Corporate Governance Report

Audit Committee

Rule 3.21 of the Listing Rules requires the Audit Committee to comprise non-executive directors only, with a minimum of three members with independent non-executive Directors in majority and at least one member with appropriate professional qualifications or accounting or related financial management expertise.

The Audit Committee consists of two independent non-executive Directors, namely Dr. Xia Xinping, Mr. Gu Huaming and one non-executive Director, namely Mr. Huang Zuie-Chin. Dr. Xia Xinping is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The primary duties of the Audit Committee include, without limitation, assisting our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group and overseeing the audit process.

During the Reporting Period, the Audit Committee held two meetings to review the interim financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, and relevant scope of works and, connected transactions and arrangements for employees to raise concerns about possible improprieties.

Remuneration Committee

Rule 3.25 of the Listing Rules requires an issuer to establish a Remuneration Committee chaired by independent non-executive Director and comprising a majority of independent non-executive Directors.

The Remuneration Committee consists of three members, namely Mr. Gu Huaming, independent non-executive Director, Dr. Xia Xinping, independent non-executive Director and Mr. Tu Zanbing, executive Director. Mr. Gu Huaming is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include determining and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration and reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

During the Reporting Period, the Remuneration Committee met once to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the Directors and senior management.

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of executive Directors are also determined with reference to the Company's performance and profitability, the prevailing market conditions and the performance or contribution of each executive Director. The remuneration for the Executive Directors comprises basic salary, pensions, performance bonus, benefits and discretionary bonus. The remuneration policy for non-executive Directors and independent non-executive Directors is to ensure that non-executive Directors and independent non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in Board committees. The remuneration for the non-executive Directors and Independent Non-executive Directors mainly comprises Director's fee which is determined with reference to their duties and responsibilities by the Board. All Directors and senior management have not been involved in deciding their own remuneration.

Nomination Committee

The Nomination Committee consists of three members, namely Dr. Huang Shiang, Chairman and executive Director, Dr. Yao Shanglong, independent non-executive Director and Dr. Xia Xinping, independent non-executive Director. Dr. Huang Shiang is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy (as disclosed in the section headed "Board Diversity Policy" below). The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy (as set out in section headed "Director Nomination Policy" in this corporate governance report) that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Reporting Period, the Nomination Committee met once to review the structure, size and composition of the Board. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

Board Diversity Policy

The Company has adopted a Board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity of the Board in order to enhance the effectiveness of our Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Corporate Governance Report

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. We target to promote gender diversity when recruiting staff at the mid to senior level to develop a pipeline of female senior management and potential successors to the Board.

An analysis of the Board's current composition based on the measurable objectives is set out below:

Gender

Male: 7 Directors
Female: 2 Directors

Age Group

31-40: 1 Director
41-50: 2 Directors
51-60: 4 Directors
61-70: 2 Directors

Designation

Executive Directors: 3 Directors
Non-executive Directors: 3 Directors
Independent Non-executive Directors: 3 Directors

Nationality

Chinese: 8 Directors
American: 1 Director

*At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the Latest Practicable Date:

	Female	Male
Board	22.2% (2)	77.8% (7)
Senior Management (Dr. Huang Shiang, Mr. Tu Zanbing and Ms. Chai Haijie, executive Directors of our Company)	33.3% (1)	66.7% (2)
Other employees	67.0% (2,091)	33.0% (1,031)
Overall workforce	66.9% (2,092)	33.1% (1,033)

Details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report on pages 56 to 95 of this report.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director nomination policy (the “**Director Nomination Policy**”) which sets out the selection criteria and nomination process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

Corporate Governance Report

The nomination process set out in the Director Nomination Policy is as follows:

Appointment of New Director

- (i) The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.
- (ii) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.
- (iii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).
- (iv) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.
- (v) For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of Director at the general meeting.

Re-election of Director at General Meeting

- (i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board.
- (ii) The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out above.
- (iii) The Nomination Committee and/or the Board should then make recommendation to Shareholders in respect of the proposed re-election of Director at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

The Director Nomination Policy sets out the criteria for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

During the Reporting Period, there was no change in the composition of the Board.

*The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Functions

The Board (comprising all Directors, namely Dr. Huang Shiang, Chairman and an executive Director, Mr. Tu Zanbing and Ms. Chai Haijie, each being an executive Director, Mr. Huang Zuie-Chin, Mr. Peng Wei and Ms. Huang Lu, each being a non-executive Director, Dr. Yao Shanglong, Dr. Xia Xinping, and Mr. Gu Huaming, each being an independent non-executive Director) is responsible for performing the functions set out in the CG Code.

During the Reporting Period, the Board had from time to time discussed at the Board meetings and reviewed the Company's corporate governance policies and practices, duties performed by the Board and the Board committees, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Corporate Governance Report

Board Meetings and Attendance Records of Directors

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

The attendance record of each director at the Board and Board Committee meetings and the general meetings of the Company held during the Reporting Period is set out in the table below:

Name of Director	Attendance/Number of Meetings				Annual General Meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee	
Executive Directors					
Dr. Huang Shiang	8/8	N/A	N/A	1/1	1/1
Mr. Tu Zanbing	8/8	N/A	1/1	N/A	1/1
Ms. Chai Haijie	8/8	N/A	N/A	N/A	1/1
Non-executive Directors					
Mr. Huang Zuie-Chin	8/8	2/2	N/A	N/A	1/1
Mr. Peng Wei	8/8	N/A	N/A	N/A	1/1
Ms. Huang Lu	8/8	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Dr. Yao Shanglong	8/8	N/A	N/A	1/1	1/1
Dr. Xia Xinping	8/8	2/2	1/1	1/1	1/1
Mr. Gu Huaming	8/8	2/2	1/1	N/A	1/1

Apart from regular Board meetings, the Chairman also held meetings with the independent non-executive Directors without the presence of other Directors during the Reporting Period.

Risk Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions.

The Company's risk management and internal control systems have been developed with the following principles, features and processes:

Risk Management

- Senior management oversees and manages the overall risks associated with the Company's business operations, including (i) reviewing and approving our risk management policy to ensure that it is consistent with Company's corporate objectives; (ii) monitoring the most significant risks associated with Company's business operations and our management's handling of such risks; and (iii) ensuring the appropriate application of our risk management framework across the Group.
- Legal and internal control personnel are responsible for developing and implementing risk management policy and carrying out day-to-day risk management practice, such as assessing risks on key business operations, advising risk responses and optimizing risk management policies.

The Company considers that Directors and members of senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control.

Corporate Governance Report

Internal Control

- Directors (who are responsible for monitoring the corporate governance of the Group), with assistance from our legal advisors, will periodically review our compliance status with all relevant laws and regulations upon Listing.
- Audit Committee shall (i) make recommendations to the Directors on the appointment and removal of external auditors; and (ii) review the financial statements and render advice in respect of financial reporting as well as oversee the risk management and internal control procedures of the Group.
- Engaged a PRC legal advisor to advise us on and keep us abreast with PRC laws and regulations upon Listing. The Company will continue to arrange various training to be provided by external legal advisors from time to time when necessary and/or any appropriate accredited institution to update our Directors, members of our senior management and relevant employees on the latest applicable laws and regulations.
- Maintain strict anti-corruption policies among our sales personnel in our sales and marketing activities.
- Maintain 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.
- Adopted internal protocols governing both the confidentiality and privacy for patient sample and data.

All divisions/departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each division/department.

The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems. For any material internal control defects, the management will identify the internal control deficiencies, review the control activities and procedures and amend the relevant internal policies and procedures, if necessary. Such defects (if any) will be reported to the Board and the Audit Committee, at least annually.

The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the Reporting Period.

The Internal Audit Department is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The internal audit function examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations to the Audit Committee.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, conducted annual review on the risk management and internal control systems for the year ended December 31, 2023, including the financial, operational and compliance controls, at the Board meetings held on March 27, 2024, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

Arrangements are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited. With respect to the procedures and internal controls for the handling and dissemination of inside information, the Company is required to disclose inside information as soon as reasonably practicable in accordance with the SFO and the Listing Rules. The Company would conduct its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the SFC. It is strictly prohibited to use inside or confidential information without proper authorization. The Company ensures, through its own internal reporting processes and the consideration of their outcome by senior management, the appropriate handling and dissemination of inside information.

Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Reporting Period.

*The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 126 to 127.

Corporate Governance Report

Auditors' Remuneration

The remuneration paid to the Company's external auditors of the Company in respect of audit services and non-audit services for the year ended December 31, 2023 is set out below:

Service Category	Fees Paid/ Payable RMB
Audit Services	2,950,000
Non-audit Services	0
Total	2,950,000

Joint Company Secretaries

Ms. Chai Haijie and Ms. Lee Mei Yi have been appointed as the Company's joint company secretaries. Ms. Lee Mei Yi is an executive director of corporate services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and Board practices and matters. Ms. Chai Haijie, an executive Director and the Chief Financial Officer, has been designated as the primary contact person at the Company which would work and communicate with Ms. Lee Mei Yi on the Company's corporate governance and secretarial and administrative matters.

For the year ended December 31, 2023, Ms. Chai Haijie and Ms. Lee Mei Yi have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

Shareholders' Rights

The Company engages with shareholders through various communication channels.

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening General Meeting

Pursuant to the Article 12.3 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more Shareholders holding together, as at the date of deposit of the requisition, Shares representing in aggregate not less than one-tenth of the voting rights, on a one vote per share basis, of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and the resolutions to be added to the meeting agenda, and signed by the requisitionist(s). If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Putting Forward Proposals at General Meetings

There are no provisions under the Memorandum and Articles of Association and the Cayman Islands Companies Act regarding procedures for Shareholders to put forward proposals at a general meeting. Shareholders who wish to submit a proposal may request the Company to convene a general meeting in accordance with the procedure set out in the preceding paragraph, to consider the matters specified in the request.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Corporate Governance Report

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: 5/F, Manulife Place 348 Kwun Tong Road, Kowloon, Hong Kong
(For the attention of the Board of Directors)
Email: ir@kindstar.com.cn

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law. Shareholders may call the Company at +86 027 85573007 for any assistance.

Communication with Shareholders and Investors

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an ongoing dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries. The Company has reviewed the implementation and effectiveness of the shareholders' communication during the Reporting Period and considers it effective.

During the Reporting Period, the Company has not made any changes to the Memorandum and Articles of Association. An up to date version of the Memorandum and Articles of Association is also available on the Company's website and the Stock Exchange's website.

Policies relating to Shareholders

The Company has in place a Shareholders' communication policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

(a) Corporate Communications

Corporate Communications have the meaning ascribed thereto in the Listing Rules, which include but are not limited to (i) the directors' report, the annual accounts together with a copy of the auditor's report, (ii) the interim report, (iii) a notice of meeting, (iv) a listing document, (v) a circular, and (vi) a form of proxy. Corporate Communications should be made available to the Shareholders in a timely manner. They should be in plain language and in both English and Chinese versions to facilitate the Shareholders' understanding. Shareholders may elect to receive the Corporate Communications in the printed form or through electronic means and in the language selected (either English or Chinese). They may change their election at any time by notifying the Company by post or by email. Shareholders who have elected to receive the Corporate Communications by electronic means have the right to obtain printed copies of the Corporate Communications free of charge. Shareholders are encouraged to provide, amongst other things, their contact details, in particular, their email address to the Hong Kong share registrar of the Company in order to facilitate timely and effective communications.

(b) Corporate Website

The Company's website provides the Shareholders with the corporate information, such as principal business activities and latest development of the Group. Also, it provides information on corporate governance of the Group as well as the compositions and functions of the Board and the Board committees. The Company publishes its results announcement on the Stock Exchange's and the Company's websites after the results have been approved by the Board. The results announcement contains the performance and results of the Group, details on the recommended dividend payment (if any) and closure of the register of members and any other information required to be disclosed under the Listing Rules from time to time. Information released by the Company for publication on the website of the Stock Exchange is also posted on the Company's website immediately thereafter. Such information includes but is not limited to interim reports, annual reports and where applicable, quarterly reports, announcements, circulars, notices of general meetings and associated explanatory documents (if any) and any other information required to be published under the Listing Rules from time to time. Press releases and publications issued by the Company from time to time are also available on the Company's website. Information on the Company's website is updated on a regular basis.

(c) Shareholder's Meeting

General meetings provide an opportunity for constructive communication between the Company and the Shareholders. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Appropriate arrangements for the general meetings shall be in place to encourage Shareholders' participation. An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing but if permitted by the Articles of Association and the rules of the Stock Exchange, a general meeting may be called by shorter notice, subject to the law and if it is so agreed. The notice shall specify the time and place of the meeting and particulars of resolutions to be considered at the meeting. The forms of proxy will also be provided to the Shareholders for appointing proxies to attend and vote at the general meeting on their behalf. Board members, in particular, the chairman of the Board committees or their delegates, appropriate senior executives and external auditor will attend the general meetings to answer the Shareholders' questions. Proceedings of the Company's general meetings will be reviewed from time to time to ensure that they are in compliance with the requirements under the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands, and that they follow good corporate governance practices. Separate resolution on each substantially separate issue will be proposed for voting at the general meeting. The chairman of the general meeting will propose to vote the resolutions (except resolutions which relate purely to procedural or administrative matters) by poll in accordance with the Articles of Association. Scrutineer will be appointed for the vote-taking at the general meeting. The voting results will be published on the websites of the Company and of the Stock Exchange subsequent to the close of the general meeting.

(d) Dividend Policy

The Company has adopted a dividend policy on payment of dividends. Any declaration and payment of dividends will be subject to the Memorandum and Articles of Association and the Cayman Islands Companies Law. Dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval, depending on the availability of dividends received from our subsidiaries, and will depend on a number of factors, including our earnings, capital requirements, overall financial conditions, contractual and applicable legal restrictions and other factors.

Environmental, Social and Governance Report

Board of Directors' Statement

The Board of Directors (the “**Board**”) of Kindstar Globalgene Technology, Inc. (the “**Company**”) and its subsidiaries (“**Kindstar Global**”, the “**Group**” or “**we**”) is the highest responsible and decision-making institution for environmental, social and governance (“**ESG**”) matters and has ultimate responsibility for the Group’s ESG strategies and ESG report (“**this Report**”), and monitors ESG related matters that may affect the Group’s business or operation, shareholder and other stakeholders¹. The Environmental, Social and Governance Committee (“**ESG Committee**”) under the Board is responsible for identifying and assessing ESG risks associated with the Group, ensuring that the Group has put in place appropriate and effective ESG risk management and internal control systems, and reporting to and reviewing the progress made in achieving the relevant ESG objectives. For details, please refer to “ESG Strategies and Management”.

The Group values the suggestions and views of various stakeholders and ensures adequate channels for communication with key stakeholders to discuss and identify the Group’s important ESG issues and possible ESG risks, and to continuously improve its ESG related strategies and policy systems. The Board has considered the major ESG issues of the year and has adopted proposals to adjust the importance of each ESG issue, ensuring the timeliness and reasonableness of the major issues matrix. For details, please refer to “Stakeholder Engagement”.

The Group has put in place a management system of ESG objectives relating to carbon emissions, pollutant emissions, energy consumption, water resources management and other indicators, and the Board reviews the progress of the objectives on an annual basis and reviews any necessary adjustments or improvements to ensure that the Group continues to make progress in achieving its ESG objectives. For details, please refer to “Green Operations Management”.

The Board and all Directors is committed to ensuring that the contents of this Report are free of any misrepresentation, misleading statements or material omissions, and accept responsibility for the truthfulness, accuracy and completeness of the report. This Report provides detailed information on the progress and effectiveness of the Group’s ESG work in 2023 and undertakes to strive to ensure that all data presented in this Report are accurate and reliable and managed through the establishment of internal control and formal review procedures. This Report was confirmed and approved by the Board of Directors on 27 March 2024.

¹ *Stakeholders, refer to groups and individuals who have a significant impact on or will be affected by an enterprise’s business, including internal board of directors, management, administrative staff and general employees, as well as external shareholders, business partners, customers, government and regulatory agencies, banks and investors and community groups.*

1. About this Report

1.1. Introduction of this Report

This Report is the third ESG report published by the Group. This Report allows stakeholders to have a better understanding of the Group's work on ESG by summarizing the Group's principle, concept and key performance indicators ("KPI") on environmental and social aspects.

1.2. Scope of this Report

This Report covers the overall sustainable development practiced by Kindstar Global from January 1, 2023 to December 31, 2023 (the "Reporting Period"). The scope of this Report covers the main business of the Group, with social aspects consistent with the Group's annual report and environmental aspect covering the Group's Wuhan headquarter and major subsidiaries in Shanghai, Beijing, Tianjin, Sichuan, Xinjiang and Wuhan with business operations, all operating subsidiaries with business operation companies in the People's Republic of China (the "PRC" or "China") within the scope of the Group's audited consolidated statements, including:

- Wuhan Kindstar Medical Laboratory Co., Ltd.
- Wuhan Kindstar Zhenyuan Medical Laboratory Co., Ltd.
- Wuhan Kindstar Qiyuan Medical Laboratory Co., Ltd.
- Wuhan Kindstar Zeyuan Medical Laboratory Co., Ltd.
- Beijing Hightrust Medical Laboratory Co., Ltd.
- Tianjin Kindstar Medical Laboratory Co., Ltd.
- Xinjiang Kindstar Medical Laboratory Co., Ltd.
- Wuhan Kindstar Biotechnology Co., Ltd.
- Wuhan HumanCell Biotechnology Co., Ltd.
- Wuhan Xinuo Medical Laboratory Co., Ltd.
- Shanghai SimpleGene Medical Laboratory Co., Ltd.
- Shanghai Xinuo Medical Laboratory Co., Ltd.
- Shanghai SinoPath Medical Laboratory Co., Ltd.
- Wuhan Xinuo Medical Biotechnology Co., Ltd.
- Wuhan Yijianyun Information Technology Co., Ltd.
- Chengdu Wenjiang Kangshengyou Medical Internet Hospital Co., Ltd.
- Wuhan Haixi Life Science Technology Co., Ltd.
- Wuhan Haixi Biological Technology Co., Ltd.
- Sichuan Huaxi Kindstar Medical Co., Ltd.
- Chengdu Shengyuan Medical Laboratory Co., Ltd.
- Guangzhou SouthMed Kindstar Biotechnology Co., Ltd.
- Hunan Kindstar Medical Laboratory Co., Ltd.
- Kindstar Global (Wuhan) Medical Esoteric Technology Co., Ltd.
- Wuhan Kindstar Kindan Medical Laboratory Co., Ltd.
- Wuhan Kindstar Qinghe Medical Laboratory Co., Ltd.
- Kindstar Sequenon Biotechnology (Wuhan) Co., Ltd.

Environmental, Social and Governance Report

1.3. Reporting Standards

This Report is prepared in accordance with the mandatory disclosure requirements and “Comply or Explain” provisions of the Appendix C2 – “Environmental, Social and Governance Reporting Guide” (“**the Guide**”) of the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited. This Report is prepared based on the following four reporting principles:

Materiality: This Report has identified material ESG topics and disclosed the process to identify and the criteria for the selection of material ESG topics and the process and results of stakeholder engagement.

Consistency: The statistical methodologies used for information disclosure in this Report are consistent with last year’s ESG report. Any changes will be clearly stated in this Report.

Quantitative: The statistical standards, methodologies, assumptions, calculation tools and source of conversion factors used, for the reporting of KPI and related data, are stated in this Report.

Balance: This Report provides an unbiased picture of the Group’s performance and avoids selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.

1.4. Reporting Language

This report is published in both Traditional Chinese and English. In case of any discrepancy, the Traditional Chinese version shall prevail.

2. About Kindstar Global

Kindstar Global is a large-scale group providing high-end medical specialty esoteric testing services in China, providing systematic, comprehensive and advanced specialty testing services, our service network has covered 31 provinces/municipalities directly under the central government and more than 600 cities in China. We have cooperated with more than 4,000 hospitals, including more than thousands tertiary hospitals providing more than 3,800 advanced and accurate diagnostic tests in such field as blood, tumor, genetics, cardiovascular and cerebrovascular diseases, infectious diseases, and autoimmune diseases, as well as in internal medicine, surgery, gynecology, pediatrics and other specialties.

The Group's aim is "Patients' interest is our priority and doctors' need come first" (病人利益至上、醫生需求第一). The Group is committed to advancing the specialty esoteric technologies and services in China and promoting the development and improvement of specialty diagnosis and treatment and personalized medicine in China. We have introduced and developed the world's advanced technologies and specialty testing methods, as well as strictly complying with international norms, standards and industry guidelines.

Kindstar Global has built internationally-advanced laboratory facilities of 50,000 square meters for clinical testing, scientific research cooperation and applied R&D in Beijing, Shanghai, Wuhan, Xinjiang, Tianjin and Sichuan. We boast a dozen of specialized laboratories, including a high-resolution flow cytometry (FCM) testing platform, a PCR (real-time Polymerase chain reaction) platform, a gene chip platform (Affymetrix), a liquid chip platform (Luminex), a mass spectrometry platform (Sequenom), a digital gene platform (NanoString), a sequencing platform, a cytogenetic platform (chromosome karyotype analysis, FISH, etc.), a mass spectrometry platform, a clinical pathology platform, a clinical immune platform, and a clinical chemistry platform. Through cooperating with the world's top medical technology institutions and large pharmaceutical companies, we provide medical research, drug testing and translational medicine research services for clinicians all over China.

Environmental, Social and Governance Report

2.1. Honours of the Group

Date	Award Name	Award Winning Unit	Awarding Unit
February 2023	2023 “AAA” Grade Credit Enterprise	Wuhan Kindstar Medical Laboratory Co., Ltd,	China Bidding Enterprise Credit Evaluation and Publicity Platform
March 2023	2022- 2023 Excellent High-tech Enterprise	Wuhan Kindstar Medical Laboratory Co., Ltd,	Wuhan High-tech Industry Association
March 2023	2023 “AAA” Grade Credit Enterprise	Wuhan Kindstar Zhenyuan Medical Laboratory Co., Ltd,	China Bidding Enterprise Credit Evaluation and Publicity Platform
September 2023	2023 “AAA” Grade Credit Enterprise	Shanghai SinoPath Medical Laboratory Co., Ltd,	China Bidding Enterprise Credit Evaluation and Publicity Platform
October 2023	2023 Optics Valley Gazelle Enterprise	Wuhan Haixi Biological Technology Co., Ltd,	Science and Technology Innovation and New Economic Development Bureau
November 2023	High-tech Enterprises	Tianjin Kindstar Medical Laboratory Co., Ltd,	Tianjin Science and Technology Bureau
November 2023	High-tech Enterprises	Beijing Hightrust Medical Laboratory Co., Ltd,	National High-tech Enterprise Identification Management Leading Group
December 2023	ESEV Emerging Enterprise of the Year Award – 2023 Emerging Enterprise	Wuhan Kindstar Biotechnology Co., Ltd,	Hubei Extracellular Sac Association

2.2. ESG Strategies and Management

Kindstar Global has been continuously working on sustainable development. In 2021, the Group established the ESG Committee and Environmental, Social and Governance Working Group (“**ESG Working Group**”) and have clearly listed the responsibilities of the Board and different units.

The Board

The Board is the highest authority in the decision-making of the Group’s ESG governance. The Board mastering the Group’s ESG information through the ESG Committee and the ESG Working Group, the Board is responsible for developing management approach and strategies for ESG issues, including materiality assessment, prioritizing and managing important ESG issues and reviewing the progress of ESG-related targets, etc.

ESG Committee

Under the leadership of the Group’s Chief Financial Officer, the ESG Committee comprises the heads of the Administration Department, Finance Department, Legal Department, Human Resources Department and Investor Relations Department. The ESG Committee is responsible for formulating and reviewing ESG strategies and management methods, monitoring ESG issues and risks; communicating with other committees and the ESG Working Groups, coordinating the development of ESG work and regularly approving and reviewing the objectives and key measures.

ESG Working Group

The ESG Working Group is composed of all subsidiaries and divisions of the Group. The ESG Working Group is responsible for formulating and implementing ESG-related policies and procedures, monitoring and tracking the progress of ESG objectives and providing feedback to the ESG Committee.

Environmental, Social and Governance Report

2.3. Stakeholder Engagement

The Group attaches high importance to communication and exchange with stakeholders. To facilitate effective and long-term communication with stakeholders, we identify stakeholders and establish different communication channels to fully understand their expectations and requirements. The Group will actively respond to the views of stakeholders to push forward sustainable development in the Group.

Major Stakeholders	Expectations and Requirements	Main Communication Channels
Shareholders and Investors	Operational compliance Return on investment Protection of shareholders' rights and interests Accuracy and timeliness of information disclosure	The general meetings of the management teams; Corporate communications, such as shareholder letters/circulars and meeting notices; Annual general meeting and general meetings of the shareholders
Regulatory Authorities	Operational compliance Ensure product quality and safety Promote economic development Promote healthcare development	Daily management; Work meetings; Compliance reports; Regular monitoring and checking
Customers	Ensure product quality and safety Ensure high quality and efficient services Protection of customers' privacy Provision of professional esoteric testing services	Customer satisfaction surveys and opinion forms; Comprehensive customer complaint handling mechanism; Online service platform; Hotlines; Website and emails of the Group; Customer service centers
Employees	Remuneration and benefits Career development Safe working environment Vocational training Humanistic care	Employee opinion survey; Internal communication channels; Job performance and assessment; Conference interviews; Trainings; Employee activities; Seminars/Workshops/Talks
Business Partners/Suppliers	Integrity and mutual benefit Supply chain management	Meetings; Supplier evaluation systems; On-site inspections; Meetings; Strategic partnership programme

Environmental, Social and Governance Report

Major Stakeholders	Expectations and Requirements	Main Communication Channels
Higher Education Institutions and Research Institutions	Innovative scientific research Promote healthcare development through cooperation Nurturing industry talents	Scientific research base meetings; Exchange activities; Participation in summits; Industry seminars
Community/Environment/ Non-governmental Organizations	Employment opportunities Effective use of resources Support community development Reduce pollutant emissions	Conducting charity activities; Donations; Volunteer activities/Environmental activities; Seminars/Workshops/Talks
Media	Accurate, transparent and efficient	Press conferences; Visits of senior management; Performance Reports

2.4. Materiality Assessment

The Group discloses the process and guidelines for identifying material ESG issues of Kindstar Global in accordance with the materiality reporting principles. During the Reporting Period, there were no significant changes in the business operations of Kindstar Global, and the impact of the Group on stakeholders and vice versa. Therefore, in the Reporting Period, based on the results of the materiality assessment in 2021, the management team reviewed and summarized the results of the materiality assessment for the Reporting Period, the results were confirmed by the Board. The results of the materiality assessment of the Reporting Period are as follows:

High Importance	Medium Importance	Low Importance
<ul style="list-style-type: none"> - Product quality and safety - Safe disposal of medical waste 	<ul style="list-style-type: none"> - Compliance operation - Water resources use - Employee welfare and rights - High quality development - Customer service and privacy protection - Anti-money laundering and anti-corruption - Complaint handling 	<ul style="list-style-type: none"> - Employee career development - Workplace safety and health - Corporate culture - Intellectual property right - Greenhouse gas emission - Energy use - Responsible supply chain - Community participation - Social welfare activities

3. Promoting Scientific Research Development

In the Reporting Period, the Group's fruitful scientific research achievements are attributed to years of innovation and R&D, cooperation and promotion. "Technology is the core competitiveness of an enterprise, and technological progress leads to technological development which drives an enterprise forward" (技術是企業的核心競爭力,科技進步引領技術發展,技術發展帶動企業前進) is the corporate culture of Kindstar Global, and it is also our original intention to promote scientific research and development all the way through. In the Reporting Period, we have obtained success in several areas of testing technology, and have taken a step forward to promote systematic, comprehensive and advanced testing technology.

During the reporting period, we added 186 new research and development detection items, including 75 items related to molecular biology detection technology, 32 items related to flow cytometry detection technology, 42 items related to cytogenetic detection technology, 19 items related to pathological detection technology, and 18 items related to clinical detection. In 2023, the Group increased its focus on collaborative research and development across technology platforms, such as flow separation ("FACS") combined with fluorescence in situ hybridization ("FISH") detection. The Company's new product MicroLym-ALL gene mutation detection has been widely recognized in clinical practice, helping patients benefit from diagnosis, treatment, prognosis, medication, etc. The establishment and verification of AL Panel for full-spectrum flow immunotyping screening for acute leukemia have been recognized by the European Society for Clinical Cell Analysis (ESCCA) and the International Society for Clinical Flow Cytometry (ICCS).

Patent Management System

The Group strictly abides by the requirements of the Patent Law of the People's Republic of China (《中華人民共和國專利法》), the Implementation Regulations for the Patent Law of the People's Republic of China (《中華人民共和國專利法實施細則》), the Trademark Law of the People's Republic of China (《中華人民共和國商標法》) etc., and have established the Intellectual Property Application Procedures (《知識產權申請流程》) and the Incentives for Researchers' R&D Achievements, Patent Applications and Publication of Professional Literature (《研究人員研發成果、專利申請及專業文獻發表的獎勵辦法》). To protect the rights and interests of the Group, we register intellectual property rights for all patents and trademarks and provide three methods to facilitate employees to apply for them, including online application, self-application and entrusted application. We have also arranged specific people to be responsible for assisting employees of different departments in applying for intellectual property rights. To encourage and stimulate the creativity of our staff, R&D staff are entitled to a bonus payment, job promotion or salary adjustment.

During the Reporting Period, the Group obtained a total of 37 patents and published 1 scientific article.

4. Quality of Service and Testing

Kindstar Global upholds the principle of “Quality is Life” (質量是生命), which is the way we take care of the needs of our clients, patients and hospitals to provide the highest quality testing and specialty esoteric testing services. Our dedication and pursuit of quality are what drive us forward. We carry out quality management throughout our business, from procurement of materials to testing services, from customer medical consultation to the issuance of test reports, and we provide high-quality services to our customers in a professional and compliant manner at every step.

4.1. Strict Control on the Quality of Test

Kindstar Global is committed to providing the best testing quality and focusing on the development of testing quality. Over the years, we have obtained several testing certificates for our testing work, such as the ISO 15189:2012 Medical Laboratories – Requirements for Quality and Competence, Certificate of Technical Acceptance of Clinical Gene Amplification Test Laboratory, and Medical Device Business License. We have developed various sample management, testing management and review documents, such as the Quality Manual (《質量手冊》), Pre-examination Procedure (《檢驗前程序》), Logistics Manual (《物流手冊》), Specimen Management Procedure (《標本管理程序》), Results Reporting Management Procedure (《結果報告程序》), Test Quality Assurance Procedures (《檢驗工作質量保證程序》), Procedure for the Evaluation of Test Procedure (《檢驗程序的評審程序》), Comparison Management Procedure (《比對管理程序》), Internal Audit Procedure (《內部審核程序》), Management Review Management Procedure (《管理評審管理程序》), Preventive Action Control Procedure (《預防措施控制程序》), Corrective Action Control Procedure (《糾正措施控制程序》) and Equipment Management Procedure (《設施管理程序》) etc. The Group strictly complies with the Law of the People’s Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) and the Law of the People’s Republic of China on the Quality of Products (《中華人民共和國產品質量法》). Our quality management covered every area of our business, from material procurement, customer testing requirements, equipment management, and pre-examination preparation, etc. We carry out every step of quality work precisely to provide the best quality service. The main business of the Group does not involve product or service recall.

In terms of procurement, for any new purchasing of laboratory supplies, a preliminary review of the goods is a compulsory step to be carried out by the warehouse manager, and inspection of the quality of goods will then be conducted by the use of the unit. If the goods do not meet the quality requirements, we will notify the purchasing specialist to apply for the return, exchange or claim of the goods.

Environmental, Social and Governance Report

To provide appropriate and accurate testing services, we provide our clients with pre-examination medical consultation. The consultation will be provided by clinicians to advise clients on the appropriate medical tests. We will prepare the Guide to General Practice Test Items 《全科檢驗項目指南》 to our clients, to let them thoroughly understand about the preparation, procedures and storage requirements for samples before and after sampling.

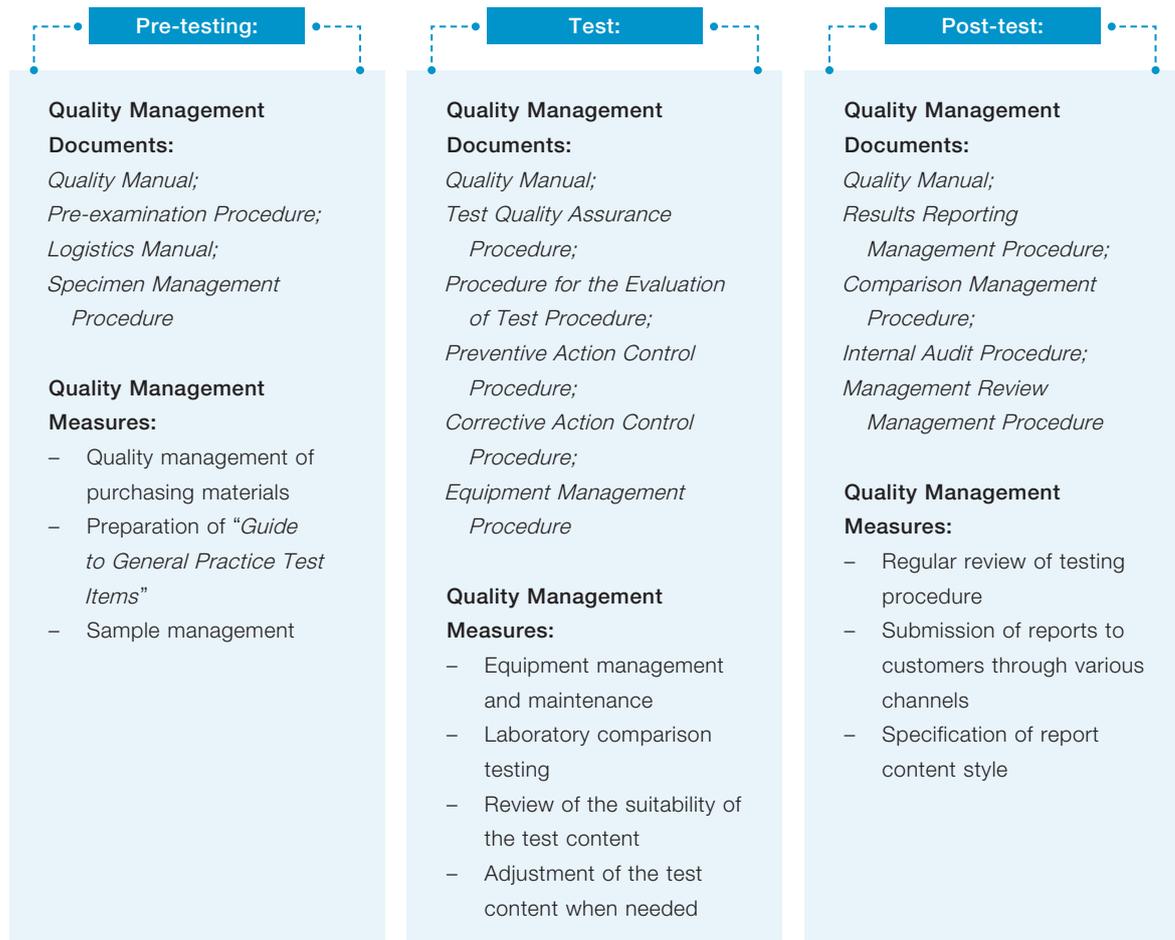
To ensure the quality of service for customers and to reduce errors, we have established a series of sampling and management procedures. We sort and label sample tubes according to the requirements for each test and verify client and test information. After sampling, the tubes are stored and registered. Each sample tube is accompanied by a unique barcode label to distinguish the sample data. The sample tubes are properly stored in appropriate bags and boxes and refrigerated as required and shipped to the receiving units.

Quality control of test work is one of our top priorities. We carefully monitor the quality of every test and review the suitability of the testing items, and determine whether adjustments to the content have to be made. Staff with the authorization to use the testing machinery have received appropriate training, we will also carry out regular maintenance and repair of equipment to ensure testing machines are in the best condition for operation. To enhance the credibility of test results, we have established inter-laboratory comparison activities, where two or more laboratories perform the same test on sample and the results are reviewed to conduct comparability studies.

With the upgrading of various testing technologies, testing methods are changing with each passing day, we regularly review our testing methods to ensure that they meet the quality requirements and prevent any occurrence of non-compliance. Moreover, other than taking into account the recommendations of our clients, healthcare providers and the latest academic advances, we also review the equipment and reagents used for sampling, sample storage, transportation and testing, etc. We analyze and correct any non-compliant issues, as well as review if there is a need for updates and changes.

Environmental, Social and Governance Report

We will report the test results to our clients in written or electronic reports or via phone calls. The contents will be verified, approved and released by an auditor with appropriate professional qualifications. The content of the report will contain the test label, the company logo and sampling information, etc.



Environmental, Social and Governance Report

During the Reporting Period, the Group accredited several testing quality certifications and was recognized by various authorities.

- Wuhan Kindstar Medical Laboratory Co., Ltd passed the evaluation of “Report on the Results of the Preliminary Research Activities for High-throughput Sequencing of National Lower Respiratory Tract Infection Metagenome (DNA and RNA)” and “GB/T 9001-2016/ISO9001:2015 Quality Management System Certification”;
- Wuhan Kindstar Medical Laboratory Co., Ltd, Shanghai SimpleGene Medical Laboratory Co., Ltd, Sichuan Huaxi Kindstar Medical Laboratory Co., Ltd and Beijing Hightrust Medical Laboratory Co., Ltd passed the ISO15189 Medical Laboratory Quality and Competence Accreditation Guidelines;
- The monkeypox virus nucleic acid test kit and nine hematological tumor diagnostic kits developed by Wuhan Haixi Biological Technology Co., Ltd include: lymphoma gene mutation test, myeloid hematological disease gene mutation test, human whole exon test, immune repertoire TCR gene rearrangement test, immune repertoire IG gene rearrangement test, BCR-ABL1 fusion gene qualitative test, PML-RARA fusion gene qualitative test, and RUNX1-RUNX1TA fusion gene qualitative assay and human JAK2 gene V617F mutation assay obtained EU CE certification.



Wuhan Kindstar Medical Laboratory Co., Ltd obtained 《GB/T 19001-2016/ISO 9001:2015 Quality Management System Certificate》



ISO15189:2012 Medical Laboratories – Requirements for Quality and Competence (CNAS-CL02 “Accreditation Criteria for the Quality and Competence of Medical Laboratories” requirements)

4.2. High Quality Customer Service

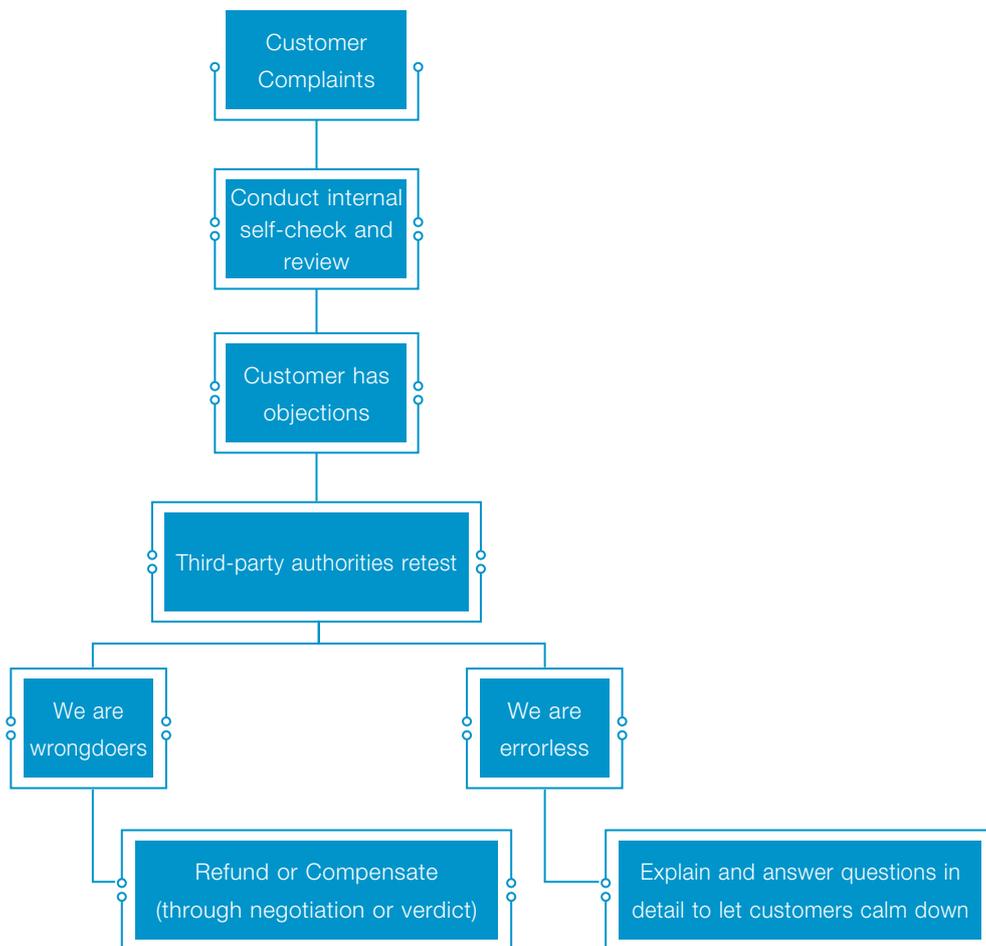
Kindstar Global understands that customer feedback can further push our business and quality development, therefore we have established several procedures and channels to receive feedbacks. Complaint Handling Management Procedure (《投訴處理程序》), Procedure for Satisfaction Monitoring and Abnormal Feedback Handling (《客戶滿意度監測處理程序》), Medical Consulting Control Procedure (《醫療諮詢控制程序》), and Management Procedure for Revocation, Addition, Trial and Change Test Programs (《撤銷、增加、試做、更改檢驗項目管理程序》) have been established to better regulate our customer services and handle feedbacks.

To provide the most suitable medical consulting services to our clients, and to provide the most appropriate selection of tests, interpretation results and consulting services for further testing, we have formed a medical consulting team to understand the needs of our clients and provide the most appropriate services. Clients also have the right to revoke, add, try, change and suspend their tests. The consulting team is responsible for explaining the content of the results to clients and to follow up with further issues.

Every year, we develop the Annual Customer Satisfaction Survey (《年度客戶滿意度調查計劃》) to collect customers' opinions. The survey is composed of sample collection, consultation and reporting, etc. After we summarize all the data, we will produce the Customer Complaint Analysis Report (《客戶投訴分析報告》) to analyze and summarize the customer complaints of the Reporting Period, compare with the complaint figures of previous years and propose improvements. We established multiple customer communication channels, including an online customer service hotline, official WeChat, Weibo, etc.

We have established a customer complaint procedure to ensure customer complaints can be properly resolved. If we receive a complaint from any customers, the quality department of the Group (the “**Quality Department**”) will review the complaint information for preliminary investigation and take corresponding response measures to the complaint content. The Quality Department will communicate with relevant departments to find out the cause of the problem and reply to the customer according to the company's procedure document. In general, after the relevant departments receive an inquiry from the Quality Department, they have to verbally reply to the Quality Department within 3 hours, followed by sending the investigation result to the Quality Department within 2 working days, and finally, the Quality Department will reply to the customer. After the complaint is handled, the Quality Department will also contact the complainant to collect the complainant's opinion and prepare an Abnormal Feedback Processing Record Form (《異常反饋處理記錄表》) to record the investigation results and corrective measures. The Group also conducts regular online meetings and provides professional training to relevant personnel to reflect on and improve problem-handling methods. During the Reporting Period, we received a total of 7 complaints and all of them have been handled properly.

Environmental, Social and Governance Report



Customer complaint handling process

The Quality Department will perform professionally in handling and improving complaints, communicating with customers, building trust, trying to avoid misunderstandings with customers, and reducing the number of complaints. We will also analyze the core problems according to the content of the complaint information and regularly review and improve the procedures. Throughout the communication process with customers, we maintain honesty and will not perform any act of deception and fraud.

4.3. Safeguarding Information Security

The Group strictly complies with the Law of the People's Republic of China on Guarding State Secrets 《中華人民共和國保密法》, Implement Measures for Law of the People's Republic of China Law on Guarding Secrets 《中華人民共和國保密法實施辦法》 and other regulations. We have formulated an Information Management System and Specification 《信息管理制度與規範》, Access Control Management Procedures 《訪問控制管理程序》 and Information Exchange Management Procedures 《信息交流管理程序》 to manage matters related to network, terminal, user and device and information security.

We regularly perform security level protection and risk assessment work for our information security, install antivirus programs, patch upgrade and other systems to computers, networks and terminals and other devices and update them regularly. To protect our data and systems, we will develop data backup plans and adopt appropriate methods to restore different types of data.

To ensure that the information released by the Group is authoritative, timely and accurate, we require all information to be reviewed in advance before being released to the public. The review process is first conducted internally and then followed by the review of the management team. Any information publisher is required to fill in the Information Release Approval Form 《信息發布審批表》 and Information Release Confidentiality Review Registration Form 《信息發布保密審查登記表》 to record information-related data. We will also arrange for professionals to regularly review the information system and correct any problematic information.

The Group has established policies to protect personal data. Employees are required to comply with the Kindstar Global's Customer Information Management Policies 《康聖環球客戶信息管理制度》 in handling customers' data, and strictly manage the processing of each personal data. Personal information should be processed at specific modules, and the processing unit and information department should verify the security of the data processing process. Sales personnel have to regularly update the information of the customers, if the customer has ended cooperation with the Group, the customer's information will be deleted.

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During the Reporting Period, Kindstar Global did not violate any laws and regulations on consumer protection and privacy, nor violate any laws and regulations related to advertising and labelling.

During the Reporting Period, the information security management activities of medical testing services, diagnostic pathology services and clinical trial services testing of Wuhan Kindstar Medical Laboratory Co., Ltd has obtained the 《GB/T22080-2016/ISO/IEC 27001:2013 Information Security Management System Certification》. In addition, its production network has also obtained the 《National Information System Security Level Protection Level 2 Record》 issued by the Ministry of Public Security of the PRC, affirming the reliability and security of our system in terms of physical security, network security, data security, management system, personnel management, and system operation and maintenance management.



Wuhan Kindstar Medical Laboratory Co., Ltd obtained
《GB/T 22080-2016/ISO/IEC
27001:2013 Information Security Management
Systems Certification》

4.4. Standardize Procurement Management

The Group pays attention to the sustainable development of the supply chain. To manage the development of the supply chain more effectively, Kindstar Global has formulated the Procurement Management System (《採購管理制度》). The purchasing department of the Group (the “**Purchasing Department**”) is responsible for purchasing. Each department is required to submit a purchasing list at the beginning of each month for review by the department head and then submit it to the Purchasing Department. Based on the price ranges of the purchasing items, the approval of the purchasing request will be approved by different levels of authority to ensure the right choice can be made. Suppliers are selected from the Qualified Suppliers List (《合格供應商名錄》) and at least three suppliers are selected for price comparison. The Purchasing Department will regularly identify new suppliers and conduct basic background checking, collect information such as business licenses, tax certificates, reagents or medical device registration certificates, or request samples for trial testing or on-site examination, and then compile them into the Qualified Supplier List (《合格供應商名錄》).

The Group evaluates our suppliers at least once a year, and we perform evaluations according to the type of supplier and on different items such as qualification, quality assurance capability, service and reputation, and technical support capability. We will also consider whether the supplier has relevant quality qualifications, i.e. ISO9000 quality or CNAS laboratory accreditation, and will also evaluate the supplier’s ability to meet our requirements.

The Group supports sustainable supply chain development and we will give priority to environmental friendly products. Kindstar Global highly values both integrity and honesty, we monitor every detail of the supply chain. We request our suppliers to sign the Letter of Honesty and Integrity Commitment by Suppliers (《供應服務商廉潔誠信承諾書》) to ensure that the entire procurement process is clean and lawful. Suppliers are expected to comply with environment, labour, health and safety-related regulatory requirements. If the behaviour of the supplier violates Group’s policy, we will terminate the cooperation with the supplier until the situation has improved.

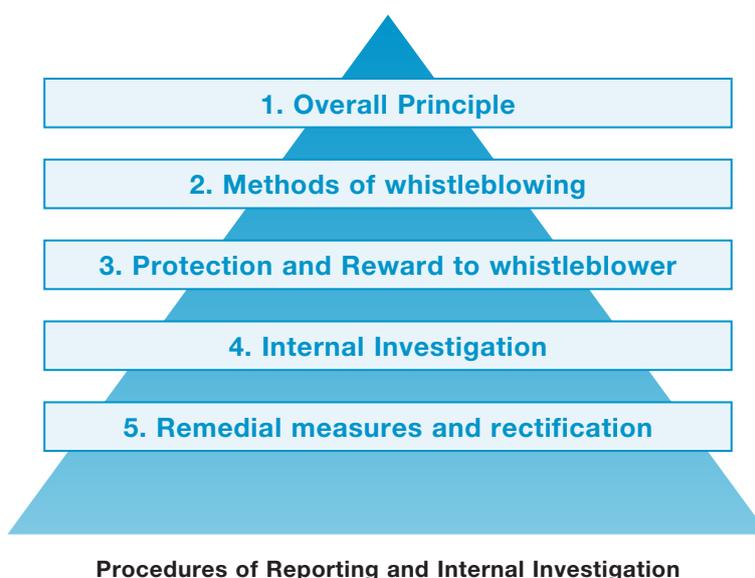
During the Reporting Period, we had 105 suppliers providing reagents, consumables, equipment, calibration and maintenance services, including 30 from the Eastern China region, 16 from the Southern China region, 8 from the Northern China region, 50 from the Central China region and 1 from the Southwest and Northwest China region. In this Reporting Period, we also adopted a supplier assessment system and assessed 97 suppliers.

5. Anti-Corruption and Building Integrity

Kindstar Global has strictly complied with the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), the Company Law of the People's Republic of China (《中華人民共和國公司法》) and other relevant regulations, and has formulated the Anti-Bribery Compliance Manual (《反賄賂合規手冊》). Our employees are not allowed to engage in any bribery activities in business activities. We require our employees to sign the Certificate of Compliance with Anti-Bribery Policy (《反賄賂政策合規證明》) to ensure that they thoroughly understand the Group's requirements for anti-bribery compliance operations. The Group's compliance officer strictly approves and monitors the reasonableness and compliance of all employees and collaborators in their operations.

We believe that quality is the foundation of our business and the rationale why companies want to work with us. We strive for cooperation opportunities with quality and will never use illegal methods to obtain cooperation with other units. All of our agents, distributors and sales representatives have signed cooperation contracts and are required to operate according to the contracts. We strictly prohibit any non-compliant commission payment activities. To ensure that the Group complies with the regulations, we invited independent auditors to conduct independent audits. We also conduct regular internal audits to ensure that all ledgers and financial records are complete and correct, to investigate the movement of large sums of money, to ensure that the operations with agents, distributors and sales representatives comply with the contractual requirements, and to ensure that the original contracts have not been amended unlawfully.

We have established a whistleblower system to encourage employees to report any violation of the Anti-Bribery Compliance Manual (《反賄賂合規手冊》). We provide hotline and email address in our Anti-Bribery Compliance Manual (《反賄賂合規手冊》) and Employee Handbook (《員工手冊》), and employees could also report to their supervisors, directors or compliance officers. We ensure no employee suffers negative consequences as a result of a whistleblowing action. Once an incident is confirmed, we will take serious action if any violation occurs, and disciplinary action will be taken according to the seriousness of the incident. If the incident is serious enough to violate criminal or civil laws, we will not tolerate and will report it to law enforcement agencies.



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During the Reporting Period, we provided a total of 3,125 hours of “Anti-Corruption, Anti-Bribery, Anti-Corruption and Environmental Violations Training” to the Board and staff. The training is composed of four main parts, including anti-corruption, anti-bribery, anti-corruption fraud and anti-environmental violations. Throughout the training, we explained the key points of the anti-corruption laws in China and Hong Kong, and also provided information on the preventive measures against corruption and fraud in procurement, personnel and administration, and accounting, such as spot-checking suppliers’ quotations, checking payment applications for unusual amounts, etc.

We also explained the internal control principles of the Group’s anti-corruption efforts in the training, including the establishment of unambiguous corporate policies, work procedures, terms of reference, and review of the monitoring system and regular independent audits. In our training on corporate environmental crimes, we pointed out that environmental crimes are mostly classified into destruction of resources, environmental pollution and illegal import and export of pollutants. We also pointed out some common management loopholes in companies, such as failure to comply with monitoring when cooperating with third parties, and failure to integrate compliance governance mechanism in internal management.

During the Reporting Period, there is no corruption case filed against us or our employees.

Environmental, Social and Governance Report

Establishing disciplinary codes

The Group has formulated the corresponding disciplinary code, which is available for reference in the corresponding situations:

- It is strictly prohibited to illegally accept or offer benefits, and avoid accepting or offering overly extravagant entertainment;
- Remind employees to pay attention to conflicts of interest and prevent the abuse of proprietary information and financial information of the Company;
- Any employee who wants to work part-time must apply to the Company in advance;
- Correctly use the consultation and communication system, and specify the channels for inquiries or complaints.

Strengthening regulatory system

The Group formulated ten regulatory principles for internal supervision to standardize employee behavior and strengthen internal supervision:

- Clear and specific company policies;
 - Clear working procedures;
 - Clearly-defined scope of responsibilities;
 - Proper division of functions and responsibilities;
 - Properly preserve sensitive information;
 - Effectively implement regulatory measures;
 - Conduct independent audit on a regular basis;
 - Provide channels for complaints and advice;
 - Continuously review the supervisory system;
 - Do not tolerate any illegal behavior.
-

6. Human Resources Management

Employees are one of the key factors leading to the success of Kindstar Global. We focus on the Group's human resources and put forward the idea of being "People-Oriented" in our corporate development, providing our employees with compensation, vacation benefits, career development, employee activities, etc., to increase their sense of belonging to the Group and to retain important talents. As of December 31, 2023, the total number of employees in the Group was 3,125.

6.1. Employee Recruitment System

The Group strictly abides by the requirements of the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law (《勞動合同法》), the Labor Dispute Mediation and Arbitration Law of the People's Republic of China (《中華人民共和國勞動爭議調解仲裁法》), the Labor and Employment Promotion Law of the People's Republic of China (《中華人民共和國勞動就業促進法》), Employment Services and Employment Management Regulations (《就業服務和就業管理規定》), and the Prohibition of Child Labour (《禁止使用童工》) and other regulations. We have formulated the Employee Handbook (《員工手冊》) and the Kindstar Global Human Resources Management System (《康聖環球人才資源管理制度》), which include recruitment and hiring, labour services, attendance management, personnel changes, training and development, compensation and benefits, and performance appraisal. The Group prohibits any kind of discrimination and establishes an equal and harmonious working environment for our employees.

We publish recruitment postings on different platforms according to job requirements. After screening of the candidates' resumes, we conduct assessments, written tests and interviews for the right candidates. When recruiting, we will ask candidates to provide personal information such as age, education and professional qualifications for reviewing and verifying. The Group strictly prohibits any cases of child labour. We will carefully check the personal information of the person to ensure that he/she has reached legal working age before hiring. If child labour has been found to have occurred, we will terminate the employment contract with the person immediately.

When signing an employment contract with a new employee, we will specify the contract period, probationary period and other relevant information. Employees have the right to resign and we have defined the procedures for employees to leave the Company. Employees are required to notify the Human Resources Department in advance before they leave the Group. Within the specified notice period, employees hand over the work and we calculate the wages of the departing employees and release the final payment of wages.

The Company's Employee Handbook (《員工手冊》) specified the working hours of employees, they are required to attend work according to the regulations to prevent any forced labour. The Group does not encourage the occurrence of overtime work. For overtime work, employees have to apply and seek approval from the Human Resources Department in advance, and the amount of overtime work is limited and must not be excessive. We prohibit any kinds of forced labor, and in the event of any non-compliance, we will take appropriate actions to rectify it.

During the Reporting Period, the Group did not violate any regulation on compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare, as well as child labor or forced labor.

Environmental, Social and Governance Report

6.2. Protection of Employee Benefits

To cater to the needs of our employees, we do not only provide the mandatory “five social insurances and one housing fund (i.e. pension insurance, work injury insurance, medical insurance, unemployment insurance, maternity insurance and housing fund)” to our employees, but also provide various leave benefits and allowances for our employees. The Group actively listens to the views and opinions of our employees and holds staff communication activities from time to time through different internal communication channels, such as corporate WeChat, company emails, staff services, opinion surveys, meetings, etc., to encourage staff to share their views and enhance communication among them.

We have established a compensation and benefits system for our employees. Employees are entitled to a legal basic salary and other allowances such as assessment salary, overtime salary, business commission, bonus, etc. We review our compensation system every year to provide our employees with a competitive compensation package. In terms of the welfare system, we provide subsidies such as transportation allowance, training fee reimbursement, annual employee bonus, etc. In terms of the vacation leave system, apart from the statutory leave entitlement, we also provide various leave benefits to our employees, such as wedding leave, maternity leave, personal leave, annual leave, etc. To strengthen the motivation of our employees for business, we have established a business commission and bonus system for our employees to drive business development of the Group.

In order to let our employees feel the corporate culture of Kindstar Global, we held many activities for employees to enhance the cohesion and unity of the Group. We celebrate specific holidays such as the Dragon Boat Festival, Christmas, Mid-Autumn Festival and employees’ birthdays, etc. We prepared corresponding holiday gifts for employees and send them blessings.



Women’s Day Activities



Dragon Boat Festival Make
“Zongzi” Activities



Christmas Eve Activities

6.3. Career Skills Development

The Group focuses on the career development of the employees. We provide development opportunities for our employees by providing them with various trainings, including skills and industry-related training, to enhance the competitiveness of Kindstar Global in the market. In the Reporting Period, we have maintained the Staff Position/Rank Promotion Management System 《員工崗位／職級晉級管理制度》, which clearly lists the promotion requirements for employees. Employees are required to reach the qualified promotion score in the previous year's performance appraisal and fulfill the points target set by the department before participating in employee promotion appraisal. According to the grade requirements, the supervisor, department head or career development committee will conduct the evaluation, and the qualified candidates for promotion will be subject to a probationary period, employee can become a full member after passing the assessment during the probationary period.

We provide on job training for our employees every year to drive their career development and keep them abreast of the latest technological developments. We have established learning courses such as “Kindstar Lexiang”, “Kindstar College (Classroom)”, “Kindstar Library (Knowledge Base)” and “Kindstar Zhihu (Question-and-Answer)”. The training courses provide different training contents for specified employees, such as new employees training about the company's corporate culture and business processes, facilitating employees to understand and integrate into their work. We also develop a series of online and offline training courses for the development of employees' generic skills and management leadership. These courses help employees master various professional competencies and help to raise their awareness in transforming their roles so that they can be more competent for their positions. Training participation is an important basis for the evaluation of salary adjustment, career promotion and year-end merit. The Group actively promotes experienced and talented employees to become instructors in our training programs, providing a stage for the development of the employees.

We also encourage our employees to participate in external-training activities and programs. Employees can be reimbursed for related training expenses.



Staff Training Meetings

6.4. Occupational Health and Safety

Kindstar Global complies with the Law of the People's Republic of China on Prevention and Control of Occupational Diseases 《中華人民共和國職業病防治法》, the Labor Protection Regulations for Female Employees 《女職工勞動保護規定》, and the Regulations on Supervision and Administration of Workplace Occupational Health 《工作場所職業衛生監督管規定》. We have developed a Safety Manual 《安全手冊》 to provide norms and guidelines for occupational safety management, detail safety-related management policies and procedures for handling emergency and hazardous situations have been listed in the Safety Manual.

For laboratory safety management, we have established a safety management team for the assessment and management of the environmental and testing safety of the laboratory. Laboratory staff is required to properly store hazardous chemicals and medical waste as required. Other staff are required to ensure that the working environment of the laboratory is clean and disinfected regularly. To ensure the biosafety management of the laboratory, we have established the biosafety management regulation, listing the details in the transportation, storage, and safekeeping of biological samples such as microorganisms and keeping records. These records must be kept by professional staff to prevent leakage. Daily management of the laboratory must be carried out according to the safety system established, and regular inspection, maintenance and updating of laboratory equipment, facilities and materials must be carried out to comply with national standards to ensure the health and safety of laboratory use.

Apart from the working environment, Kindstar Global is also concerned about the health condition of our employees, hoping that they will pay higher attention to their health condition. In the Reporting Period, we organized regular health checks or immunity screening tests for our employees. During the pandemic, we adjusted the commuting arrangements of our employees according to the epidemic prevention requirements of the locations and the situation of the Group. To ensure the safety of our employees, we have formulated a series of epidemic prevention policies, including the provision of masks to our employees, requirement of our employees to undergo regular nucleic acid or antigen testing, and conducting regular disinfection of workplaces. Including the Reporting Period and the past three years, the Group did not have any work-related fatalities records and the number of working days lost due to work-related injuries was 91. During the Reporting Period, the Group did not violate any laws and regulations relating to occupational health and safety.

In the Reporting Period, Wuhan Kindstar Medical Laboratory Co., Ltd successfully obtained 《GB/T 45001-2020/ISO 45001:2018 Occupational Health and Safety Management System Certification》, which is a recognition of our occupational safety management.



Wuhan Kindstar Medical Laboratory Co., Ltd obtained 《GB/T 45001-2020/ISO 45001:2018 Occupational Health and Safety Management System Certification》

7. Promoting Environmental Protection

Kindstar Global is highly concerned about its environmental impacts and strives to reduce the impact on the environment while driving our business development. We strictly comply with environmental laws and regulations, including the Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste 《中華人民共和國固體廢物污染環境防治法》, the Biosecurity Law of the People’s Republic of China 《中華人民共和國生物安全法》, the Measures for Medical Wastes Management of Medical and Health Institutions 《醫療衛生機構廢物管理辦法》, the Regulations on the Administration of Medical Wastes 《醫療廢物管理條例》, and the Regulation on the Bio-safety Management of Pathogenic Microbe Labs 《病原微生物實驗室生物安全管理條例》.

In the Reporting Period, the Group has set out directional environmental targets to progressively reduce or maintain greenhouse gas emissions and waste generation intensity and reduce energy consumption and water consumption intensity while maintaining operational levels. We will also set quantitative environmental targets and set environmental base years when appropriate.

During the Reporting Period, one of our testing laboratory, Wuhan Kindstar Medical Laboratory Co., Ltd successfully obtained the 《GB/T 24001-2016/ISO 14001:2015 Environmental Management System Certification》, which affirms our work on environmental management.



Wuhan Kindstar Medical Laboratory Co., Ltd obtained 《GB/T 24001-2016/ISO 14001:2015 Environmental Management System Certification》

Environmental, Social and Governance Report

7.1. Combating Climate Change

Climate change is closely related to sustainable corporate development and the Group is concerned about the national “3060” goal of reaching the carbon peak and achieving carbon neutral targets. We have identified climate-related risks that may affect the Group, including physical and transition risks, analyzed the potential impacts of such risks on the Group and formulated corresponding mitigation measures. We will continue to optimize our climate risk management assessment and measures to reduce the impact on our business.

Risk Categories	Impact on the Group	Measures
Physical Risk		
Immediate risk: Extreme weather accidents	Natural disasters/extreme weather (heat waves, floods, hot weather, cold weather) may cause related emergencies (sample storage environment affected, transport chain interrupted, employee safety and work environment safety threatened).	The Group continues to pay attention to the relevant weather warnings issued by the Meteorological Bureau, and initiates the emergency plan management system when natural disasters break out and extreme weather occurs, and requires employees to take shelter in time. In summer with hot weather, the Group propagates the knowledge of heat prevention to employees and provides high temperature subsidies.
Long-term risks: Global temperatures rise, sea levels rise	Global warming leads to glacier melting, sea level rise and other chronic changes on the future production of products, product storage and transportation impact.	Continue to pay attention to the situation of global warming, improve the laboratory operating environment, sample transportation environment and staff working environment.
Transition Risk		
Policy and regulatory risks: Tightening of climate-related policies	Policies on energy conservation and emission reduction, stricter emission reporting obligations and compliance requirements.	Continue to monitor regulatory trends to ensure that the Group’s emissions comply with the latest legal requirements.

Environmental, Social and Governance Report

Risk Categories	Impact on the Group	Measures
<p>Technical risks: Products are replaced by new low-carbon technology products</p>	<p>The medical market expects products to be cleaner and more environmentally friendly, or the Group's products to be completely replaced by new technology products.</p>	<p>Continue to encourage research and development and innovation, pay attention to new market trends, pay attention to the emergence of new technology products, and widely attract talents.</p>
<p>Market risks: Increasing market demand for green products</p>	<p>The medical device market is paying more attention to green products, and the emergence of greener similar products has reduced the market competitiveness of the Group's products.</p>	<p>Continue to encourage research and development and innovation, explore green procurement paths, use green technology to produce green products, and maintain core competitiveness with a high level of technology and professional production capacity over the years.</p>
<p>Reputational risk: Society's impression and evaluation of low-carbon enterprises</p>	<p>Customers or communities have a poor impression and evaluation of high-carbon emission enterprises, so they do not invest in or buy their products, which affects their profitability and market share.</p>	<p>Continue to implement measures to reduce carbon emissions, disclose and publicize the company's ESG contribution to the community, and call for carbon reduction actions.</p>

Environmental, Social and Governance Report

7.2. Green Operation Management

7.2.1. Waste Management

As a clinical testing service provider, the treatment of medical waste is a vital part of the Group's environmental management system. Kindstar Global fulfills the compliance requirements for the disposal of medical waste and strictly controls the amount of waste generated. We have established the Medical Waste Temporary Storage Room Management System (《醫療廢物暫存間管理制》), which classifies medical waste into infectious, sharps, pathological, pharmaceutical and chemical waste. Each type of waste must be properly sealed, sorted, labeled and registered, and stored in an appropriate place before being collected and disposed of by third parties. Each waste disposal is required to be registered and recorded and kept for at least three years, registration information includes the type of waste, quantity, weight, date of handover, and the person in charge. If there is a large amount of expired pharmaceutical waste, we will return it to the manufacturer for disposal. Staff handling medical waste are required to take proper personal protection measures and disinfect the storage site after each disposal of medical waste to avoid waste residue causing secondary infection or contamination. We provide relevant safety and handling training for staff handling medical waste and monitor the entire medical waste handling process to comply with the Group's requirements.

During the year, the packaging materials used by the Group are paper, plastic and packaging bags. The main business of the Group does not involve the use of packaging materials. We will check the usage and reduce the waste of packaging materials in our products. For general household waste, we will sort the waste and recycle and treat various recyclable items. We also promote and encourage the reuse of resources, reduce the use of disposable items and avoid unnecessary waste.

During the year, the Group produced 153.40 tonnes (2022:760.05 tonnes) and 100.79 tonnes (2022:110.85 tonnes) of medical waste and non-hazardous waste, with an average medical waste and non-hazardous waste generation per employee of 0.05 tonnes (2022: 0.23 tonnes) and 0.03 tonnes (2022:0.03 tonnes). The significant decrease in medical waste produced by the Group compared to last year was mainly due to the technological update of the Group's testing business during the year, as well as a significant reduction in the nucleic acid testing business, which resulted in a corresponding decrease in medical waste such as testing consumables and tested samples.

7.2.2. Water Resources Management

We cherish water resources and always remind our staff to use water efficiently to avoid wastage. The Group uses water supplied by the municipal government and has no problem in water sourcing. We affix water-saving labels next to each water-using equipment, use highly water-efficient equipment, and conduct inspections regularly on water-using equipment and water pipes to see if there are any leakages. During the year, the Group's water consumption was 20,273.20 tonnes (2022:31,350.68 tonnes) and the average water consumption per employee was 6.49 tonnes (2022:9.31 tonnes). The significant decrease in the Group's water consumption compared to the previous year was mainly due to the technological update of the Group's testing business during the year and the significant reduction in the nucleic acid testing business, which resulted in a corresponding decrease in the water consumption involved in the testing business.

The Group strictly controls the wastewater discharge. Our laboratories have obtained sewage discharge permit. All sewage discharged must first be treated by the Group's wastewater treatment facilities and have to comply with the discharge standard of Discharge Standard of Water Pollutants For Medical Organization (《醫療機構水污染物排放標準》) before discharging. We hire third-party environmental testing laboratories to test our effluent discharge every year to ensure that the concentration of pollutants complies with the standard. In the Reporting Period, the Group's wastewater discharge did not fail to meet the standard. In addition, office and daily sewage will be discharged to the municipal sewerage network after pre-treatment, and the treated effluent after pre-treatment meet the tertiary discharge standard of the Integrated Sewage Discharge Standard (《污水綜合排放標準》) and be treated by the local sewage treatment facilities centrally.

Environmental, Social and Governance Report

7.2.3. Energy Use Management

We adhere to the code of energy saving to avoid unnecessary energy waste. For lighting and air conditioning systems, we use energy-efficient lighting fixtures and regularly clean the air conditioning filters to ensure that the systems are operating at their best condition. We have separated the operating area into different zones, each zone contains independent switch control; the air conditioning is managed by a central system to control the time and temperature of each zone to reduce energy waste. We will give higher preference to electric vehicles or hybrid vehicles and regularly conduct maintenance of the vehicles. We conduct monthly statistics on the Group's electricity consumption and look for high consumption or any abnormalities in electricity consumption, improvements will be made if required. During the year, the Group's electricity consumption was 6,684.03 MWh (2022:5,985.66 MWh) and the average electricity consumption per employee was 2.14 MWh (2022:1.78 MWh). The significant increase in the Group's electricity consumption compared to the previous year was mainly due to the corresponding increase in electricity consumption generated during the year by the Group's opening of new laboratories, expansion of some of its operating sites, renovation, etc.

7.2.4. Greenhouse Gas ("GHG") Emissions Management

During the Reporting Period, the Group's GHG emissions were 4,160.55 tonnes CO₂e (2022:3,581.09 tonnes CO₂e) and its average GHG emissions per employee were 1.33 tonnes CO₂e (2022:1.06 tonnes CO₂e). Low carbon living has become a global trend, Kindstar Global has been encouraging employees to actively participate in low carbon-related activities e.g. adopting video business conferencing instead of business travel, using public transportation more often. We have promoted and educated our employees about environmental protection measures through various platforms, and encourage them to integrate environmental protection concepts into daily lives.

7.2.5. Air Pollutants Emission Management

During the Reporting Period, the Group's emissions of NO_x, SO_x and particulate matter from company vehicles were 818.90 kg, 1.54 kg and 74.74 kg (2022:423.68 kg, 0.56 kg and 36.01 kg). The significant increase in the Group's air emissions compared to the previous year was mainly due to the increase in the Group's medical specimen transport business during the year and the corresponding increase in air emissions generated as a result of the increase in vehicle use.

To reduce emissions of NO_x, SO_x and particulate matter, we have adopted electric or hybrid vehicles, which are regularly maintained to ensure that they can operate with high efficiency and low emissions. The Group regularly monitors the air quality of the laboratories and has commissioned a third-party laboratories to test the VOCs emissions of the laboratories to comply with the regulatory emission standards. During the Reporting Period, the Group's laboratory air quality has complied with the standards.

8. Public Welfare and Harmonious Community

Kindstar Global has always been caring for the community and lends a helping hand to the public when needed. In 2023, Kindstar Global held the “Hand in Hand” June 1 event for children with blood diseases to extend care to the children and their families.



Kindstar Global actively organizes youth research activities, bringing young people closer to science and testing, experiencing the use of laboratory equipment, and promoting science education and health education.



Environmental, Social and Governance Report

Appendix 1 : Sustainable development information summary

Environmental Category	Unit	2023	2022
Air pollutant emissions			
Nitric Oxides (NOx)	kg	818.90	423.68
Sulfur Oxides (SOx)	kg	1.54	0.56
Particulate Matter (PM)	kg	74.74	36.01
Greenhouse gas emissions			
Direct GHG emissions (Scope 1)	carbon dioxide equivalent (tonnes)	277.45	103.42
Indirect GHG emissions (Scope 2)	carbon dioxide equivalent (tonnes)	3,883.10	3,477.67
Total GHG emissions	carbon dioxide equivalent (tonnes)	4,160.55	3,581.09
Intensity of GHG emissions (per square meter)	carbon dioxide equivalent (tonnes)/m ²	0.07	0.07
GHG emissions (per employee)	carbon dioxide equivalent (tonnes)/employee	1.33	1.06
Energy consumption			
Total electricity consumption	MWh	6,684.03	5,985.66
Intensity of electricity consumption (per square meter)	MWh/m ²	0.11	0.11
Intensity of electricity consumption (per employee)	MWh/employee	2.14	1.78
Gasoline consumption	liter	97,469.74	35,351.03
Diesel consumption	liter	6,779.00	2,785.72
Water consumption			
Total water consumption	cubic meter	20,273.20	31,340.68
Water consumption intensity (per square meter)	cubic meter/m ²	0.34	0.59
Water consumption (per employee)	cubic meter/employee	6.49	9.31
Paper consumption			
Total paper consumption	kg	12,755.68	12,165.00
Paper consumption (per employee)	kg/employee	4.08	3.61
Waste production			
Medical waste produced	tonnes	153.40	760.05
Medical waste produced (per employee)	tonnes/employee	0.05	0.23
Non-hazardous waste produced	tonnes	100.79	110.85
Non-hazardous waste produced (per employee)	tonnes/employee	0.03	0.03

Environmental, Social and Governance Report

Social Category	Unit	2023	2022
Total employees	people	3,125	3,367
Female employees	people	2,092	2,249
Male employees	people	1,033	1,118
Non-management employees	people	2,065	2,021
Intermediate management employees	people	427	382
Senior management employees	people	66	46
Short-term/part-time employees	people	567	918
Employees aged below 30	people	1,036	1,261
Employees aged 30-50	people	1,812	1,854
Employees aged 50 or above	people	277	252
Employees from China	people	3,123	3,363
Employees from foreign	people	2	4
Employees turnover rate			
Total Employee turnover rate	%	32.86	30.62
Female employee	%	30.64	29.30
Male employee	%	37.37	33.27
Employees aged below 30	%	43.53	50.18
Employees aged 30-50	%	28.64	21.10
Employees aged 50 or above	%	20.58	18.09
Employees from China	%	32.82	30.66
Employees from overseas	%	100.00	0.00
Occupational health and safety			
Work-related fatalities for the last three years (including the reporting year)	people	0	0
Rate of work-related fatalities for the last three years (including the reporting year)	%	0.00	0.00
Lost days due to work injury	days	91.00	152.50

Environmental, Social and Governance Report

Social Category	Unit	2023	2022
Employee training			
Percentage of employees trained by gender			
Female employees	%	72.00	64.53
Male employees	%	65.00	35.47
Percentage of employees trained by employee category			
Non-management employees	%	64.00	15.54
Intermediate management employees	%	98.00	70.49
Senior management employees	%	87.00	12.36
Short-term/part-time employees	%	7.00	1.61
Average training hours completed per employee by gender			
Female employees	hours	39.13	14.06
Male employees	hours	31.26	22.07
Average training hours completed per employee by employee category			
Non-management employees	hours	41.00	2.59
Intermediate management employees	hours	56.62	19.65
Senior management employees	hours	52.63	31.78
Short-term/part-time employees	hours	1.14	44.54

Content Index

The “comply or explain” provisions of the Environmental, Social and Governance Reporting Guide.

Subject Areas	Content	Chapter Index
A. Environmental		
Aspect A1 : Emissions		
General Disclosure	A1 Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Green Operation Management
KPIs	A1.1 The types of emissions and respective emissions data.	Green Operation Management
	A1.2 Direct and energy indirect greenhouse gas emissions and intensity.	Greenhouse Gas Emissions management
	A1.3 Total hazardous waste produced and intensity.	Waste Management
	A1.4 Total non-hazardous waste produced and intensity.	Waste Management
	A1.5 Description of emissions target(s) set and steps taken to achieve them.	Green Operation Management
	A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Green Operation Management
Aspect A2 : Use of Resources		
General Disclosure	A2 Policies on the efficient use of resources, including energy, water and other raw materials.	Green Operation Management
KPIs	A2.1 Direct and/or indirect energy consumption by type in total and intensity.	Energy Use Management
	A2.2 Water consumption in total and intensity.	Water Resources Management
	A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	Water Resources Management
	A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Water Resources Management
	A2.5 Total packaging material used for finished products and with reference to per unit produced.	Waste Management

Environmental, Social and Governance Report

Subject Areas	Content	Chapter Index
Aspect A3 : The Environmental and Natural Resources		
General Disclosure	A3 Policies on minimising the significant impacts on the environment and natural resources.	The business of the Group does not cause any significant impacts on the environment and natural resources.
KPIs	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
Aspect A4 : Climate Change		
General Disclosure	A4 Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact.	Combating Climate Change
KPIs	A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Combating Climate Change
B. Social		
Aspect B1 : Employment		
General Disclosure	B1 Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Human Resources Management
KPIs	B1.1 Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Human Resources Management
	B1.2 Employee turnover rate by gender, age group and geographical region.	Human Resources Management

Environmental, Social and Governance Report

Subject Areas	Content	Chapter Index
Aspect B2 : Health and Safety		
General Disclosure	B2 Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Occupational Health and Safety
KPIs	B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Occupational Health and Safety
	B2.2 Lost days due to work injury.	Occupational Health and Safety
	B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Occupational Health and Safety
Aspect B3 : Development and Training		
General Disclosure	B3 Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Career Skills Development
KPIs	B3.1 The percentage of employees trained by gender and employee category.	Career Skills Development
	B3.2 The average training hours completed per employee by gender and employee category.	Career Skills Development
Aspect B4 : Labour Standards		
General Disclosure	B4 Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Human Resources Management
KPIs	B4.1 Description of measures to review employment practices to avoid child and forced labour.	Human Resources Management
	B4.2 Description of steps taken to eliminate such practices when discovered.	Human Resources Management

Environmental, Social and Governance Report

Subject Areas	Content	Chapter Index
Aspect B5 : Supply Chain Management		
General Disclosure	B5 Policies on managing environmental and social risks of the supply chain.	Standardize Procurement Management
KPIs	B5.1 Number of suppliers by geographical region.	Standardize Procurement Management
	B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Standardize Procurement Management
	B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Standardize Procurement Management
	B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Standardize Procurement Management
Aspect B6 : Product Responsibility		
General Disclosure	B6 Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Strict Control on the Quality of Test
KPIs	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Strict Control on the Quality of Test
	B6.2 Number of products and service related complaints received and how they are dealt with.	High Quality Customer Service
	B6.3 Description of practices relating to observing and protecting intellectual property rights.	Promoting Scientific Research Development
	B6.4 Description of quality assurance process and recall procedures.	Quality of Service and Testing
	B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Safeguarding Information Security

Environmental, Social and Governance Report

Subject Areas	Content	Chapter Index
Aspect B7 : Anti-corruption		
General Disclosure	B7 Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-Corruption and Building Integrity
KPIs	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-Corruption and Building Integrity
	B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-Corruption and Building Integrity
	B7.3 Description of anti-corruption training provided to directors and staff.	Anti-Corruption and Building Integrity
Aspect B8 : Community Investment		
General Disclosure	B8 Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Public Welfare and Harmonious Community
KPIs	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Public Welfare and Harmonious Community
	B8.2 Resources contributed (e.g. money or time) to the focus area.	Public Welfare and Harmonious Community

Directors' Report

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended December 31, 2023.

General Information

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

Principal Activities

The Company is an investment holding company. The Group is principally engaged in the provision of clinical testing services in the PRC. Details of the principal activities of the principal subsidiaries are set out in note 1 to the consolidated financial statements.

Business Review

The business review and performance analysis of the Group for the year ended December 31, 2023 as required by Schedule 5 to the Companies Ordinance is set out in the chapter headed "Business Review and Outlook" from page 12 and "Management Discussion and Analysis" from pages 13 to 27 of this annual report which constitute part of this directors' report.

Key Relationships

Relationship with Suppliers

We have maintained stable and long-term relationships with our major suppliers and procured a wide variety of raw materials, mainly consumables and equipment, used for our testing services. We considered several factors in the evaluation and selection of suppliers, including but not limited to the supplier's background, reputation, and industry experience, and most importantly the quality and price of their supplies. All new suppliers must go through our internal supplier admission process before entering into supply agreements with us.

For the year ended December 31, 2023, the total purchases from our five largest suppliers in aggregate accounted for 15.9%, and our purchases from our largest supplier accounted for 4.2%, of our total purchases.

None of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of the share capital of our Company) had any interest in any of our top five largest suppliers that is required to be disclosed under the Listing Rules for the year ended December 31, 2023.

As of the Latest Practicable Date, we had not received any material complaint from our suppliers.

Relationship with Customers

The vast majority of our revenues are generated by providing clinical testing services to hospitals and their patients.

We benefit from a high level of customer loyalty and have developed solid working relationships with many customers. For the year ended December 31, 2023, our five largest customers together generated RMB74.4 million of revenue, accounting for 7.7% of our total revenue, and our largest customer generated RMB22.4 million of revenue, accounting for 2.3% of our total revenue.

None of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of the share capital of our Company) had any interest in any of our top five largest customers that is required to be disclosed under the Listing Rules for the year ended December 31, 2023.

As of the Latest Practicable Date, we had not received any material complaint from our customers.

Relationship with Employees

Our success, to a considerable extent, depends upon our ability to attract, motivate and retain a sufficient number of qualified employees. The remuneration package for our employees generally includes salary and bonuses. We determined employee remuneration based on factors such as qualifications and years of experience. Employees also received welfare benefits, including medical care, retirement benefits, occupational injury insurance and other miscellaneous items. We made contributions to mandatory social security funds for our employees to provide for retirement, medical, work-related injury, maternity and unemployment benefits. We also granted restricted stock units as share incentives to qualified directors and employees, details of which are set out in the section headed "Post-IPO RSU Scheme" in this directors' report. In order to incentivize Directors, senior management and employees for their contribution to our Company and to attract, motivate and retain skilled and experienced personnel, we have adopted the Post-IPO Option Scheme, details of which are set out in the section headed "Post-IPO Option Scheme" in this directors' report.

Environmental Policies and Performance

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth. Details of such are set out in the Environmental, Social and Governance Report in this annual report.

Licenses, Regulatory Approvals and Compliance with Laws and Regulations

During the year ended December 31, 2023, there were no material breaches or violations of relevant laws and regulations in China, where the Group has business entities and operations, and the Group obtained all requisite licenses, approvals and permits from relevant authorities that are material to the Group's operations in China. Details of our compliance with relevant laws and regulations will be set out in the Environmental, Social and Governance Report in this report.

Directors' Report

Principal Risks and Uncertainties

A number of factors may affect the results and business operation of the Group. The principal risks and uncertainties that the Group faces and key mitigations that the Group adopts are summarized as follows:

Principal Risks and Uncertainties	Description	Key Mitigations
Failure in service quality control may adversely affect our operating results, reputation and business.	Our service and testing processes are required to meet certain quality standards, including the standards imposed by relevant PRC laws and regulations as well as industry standards, including the Administrative Measures on Clinical Laboratories of Medical Institutions 《醫療機構臨床實驗室管理辦法》, the Interim Administrative Measures on Clinical Laboratories 《醫學檢驗實驗室管理暫行辦法》, as well as the ISO 15189 Quality Management Standard for three of our laboratories.	We have established a quality control and assurance system and adopted standardized operating procedures in order to prevent quality issues with respect to our services and operation processes. For further details of our quality control and assurance system, see "Business – Quality Control" in the Prospectus. As the market leader, we also adopt the industry leading standard in the performance of our testing services. For example, our laboratories located in Wuhan, Beijing and Shanghai are equipped with up-to-date high-quality testing equipment and devices, and Xinjiang laboratory has been accredited with ISO 15189 certification.

Principal Risks and Uncertainties	Description	Key Mitigations
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Our success depends on the market's confidence in us that we can provide reliable and high-quality esoteric testing services that will provide patients or physicians with valuable clinical or diagnostic information. However, there is no assurance that our testing services will perform as expected at all times. Our tests may fail to accurately, or even incompletely or incorrectly identify the relevant diseases, or contain other errors or mistakes due to a variety of reasons (such as malfunction of our laboratory equipment and degraded samples provided by our delivery service providers), which may result in negative perception of our tests. In addition, failure to detect quality defects in our services or to prevent such defective services from being delivered to our customers could result in injury or death, license revocation, regulatory fines, professional liabilities or other problems that could seriously harm our reputation and business, expose us to liability, and materially and adversely affect our revenue and profitability. For example, we could face medical liability claims if someone alleges that our services identified inaccurate or incomplete information regarding their targeted testing item, or otherwise failed to perform as designed. A claimant could allege that our test results caused unnecessary treatment or other costs or resulted in the patient missing the best opportunity or timing for treatment. A patient could also allege other mental or physical injury or that our tests provided inaccurate or misleading information concerning the diagnosis, prognosis or recurrence of, or available therapies for, his or her disease. We may also be subject to medical liability for errors in, a misunderstanding of or inappropriate reliance upon the diagnostic information our tests provided. The tense physician-patient relationship in China could also expose us to an increased risk of potential medical liability claims.

Directors' Report

Subsequent Event

Particulars of important events affecting the Group that have occurred since the year ended December 31, 2023 are stated in the section headed "Management Discussion and Analysis – Significant Events After the Reporting Period" and note 42 to the consolidated financial statements in this annual report.

Financial Statements

The results of the Group for the year ended December 31, 2023 and the status of the Group's financial position as at that date are set out in the consolidated financial statements from pages 128 to 226 of this annual report.

Financial Summary

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on page 9 of this annual report. This summary does not form part of the audited consolidated financial statements.

Final Dividend

The Board recommends the payment of a final dividend of HK\$28,000,000 in total for the year ended December 31, 2023, i.e., HK\$0.0284 per Share (for the year ended December 31, 2022: nil), which was calculated based on the total number of the existing issued Shares of the Company of 987,122,696 Shares as at the date of this report, subject to adjustment (if any) based on the total number of issued shares as at the Record Date (as defined below). The proposed final dividend will be payable to the Shareholders on or before Friday, September 27, 2024, whose names appear on the register of members of the Company on Friday, June 14, 2024 (the "**Record Date**"). The recommendation of payment of the final dividend is subject to the Shareholders' approval at the forthcoming AGM of the Company.

Distributable Reserves

The Company may pay dividends out of its share premium account and retained earnings.

As at December 31, 2023, the Company had distributable reserves for share premium of RMB2,941,507,000.

Reserves

Changes to the reserves of the Group during the year ended December 31, 2023 are set out in the consolidated statement of changes in equity in this annual report.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year ended December 31, 2023 are set out in note 15 to the consolidated financial statements in this annual report.

Share Capital

Details of movements in the share capital of the Company during the year ended December 31, 2023 are set out in note 32 to the consolidated financial statements in this annual report.

Bank Borrowings and other Loans

Details of bank borrowings and other loans of the Company as at December 31, 2023 are set out in note 28 to the consolidated financial statements of this annual report.

Charge on Assets

There was no charge on the Group's assets as at December 31, 2023.

Donation

Donations made by the Company during the year ended December 31, 2023 was HK\$0.1 million.

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

For the year ended December 31, 2023, the Company repurchased a total of 10,094,000 Shares (the "**Shares Repurchased**") on the Stock Exchange at an aggregate consideration (including transaction cost) of approximately HK\$17.9 million. 9,697,000 shares repurchased (together with 407,000 shares purchased but not cancelled in 2022) subsequently cancelled and the remaining 397,000 of the Shares Repurchased have not yet been cancelled. The repurchase was effected because the Board considered that a share repurchase in the then conditions demonstrates the Company's confidence in its own business outlook and prospects and would, in the long term, benefit the Company and create value to the Shareholders.

Particulars of the Shares Repurchased in 2023 are as follows:

Month of repurchase	No. of Shares repurchased	Highest price paid per Share (HK\$)	Lowest price paid per Share (HK\$)	Aggregate consideration (HK\$'000)
January	895,000	2.82	2.31	2,328
March	324,000	2.02	1.87	637
April	1,420,000	2.09	1.73	2,704
May	1,057,500	1.85	1.59	1,845
June	1,817,500	1.86	1.48	2,963
July	266,000	1.86	1.72	481
August	398,000	1.6	1.45	609
September	1,447,000	1.76	1.51	2,366
October	612,000	1.69	1.46	971
November	884,500	1.72	1.5	1,412
December	972,500	1.73	1.45	1,571
Total	10,094,000	2.82	1.45	17,889

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) for the year ended December 31, 2023.

Directors' Report

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 ("**Consultants**"), and to promote the success of the Group's business.

The administrator is authorized under the Pre-IPO Stock Incentive Plans to award any type of arrangement to an employee, Director or Consultant that is not inconsistent with the provisions of the Pre-IPO Stock Incentive Plans and that by its terms involves or might involve the issuance of (i) Shares, (ii) cash or (iii) an option or similar right with a fixed or variable price related to the fair market value of the Shares and with an exercise or conversion privilege related to the passage of time, the occurrence of one or more events, or the satisfaction of performance criteria or other conditions (the "**Pre-IPO Award(s)**").

Any Pre-IPO Award granted under the Pre-IPO Stock Incentive Plans shall be exercisable at such times and under such conditions as determined by the administrator under the terms of the Pre-IPO Stock Incentive Plans and specified in the Pre-IPO Award agreement. The consideration to be paid for the Shares to be issued upon exercise of a Pre-IPO Award, including the method of payment, shall also be determined by the administrator accordingly. A Pre-IPO Award shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Pre-IPO Award by the person entitled to exercise the Pre-IPO Award and full payment for the Shares with respect to which the Pre-IPO Award is exercised.

The Pre-IPO Stock Incentive Plans do not stipulate: (i) the maximum entitlement of each participant under the scheme; (ii) the amount (if any) on application or acceptance of the Pre-IPO Awards and the period within which payments or calls must or may be made or loans for such purposes must be repaid; and (iii) the vesting period of the Pre-IPO Awards granted under the scheme. The administrator would consider, resolve for and approve the aforesaid particulars in accordance with the terms of the Pre-IPO Stock Incentive Plans.

Subject to the termination provisions under the Pre-IPO Stock Incentive Plans, each of the Pre-IPO Stock Incentive Plans shall be valid and effective for the period of ten years commencing on their respective adoption date. No Pre-IPO Award may be granted after the termination of the relevant Pre-IPO Stock Incentive Plan.

As disclosed in the Prospectus, the Company did not and will not grant further options under the Pre-IPO Stock Incentive Plans after the Global Offering.

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.

As of the date of this report, the total number of Shares which may be issued pursuant to all outstanding Pre-IPO Awards (i.e. outstanding Options held by grantees) is 5,081,772 Shares, representing approximately 0.51% of the total issued share capital of the Company as of the same date. Details of such outstanding Options are set out below:

Name or category of grantee	Grant date	Vesting and exercise period	Exercise price (US\$/Share before the Share Subdivision)	Number of Shares underlying the Option as of January 1, 2023	Number of Options granted during the Reporting Period	Number of Options exercised during the Reporting Period	Number of Options cancelled during the Reporting Period	Number of Options lapsed during the Reporting Period	Number of Shares underlying the Options as of December 31, 2023	Weighted average closing price of the Shares immediately before the dates on which the Options were exercised
Other employees of the Group										
(Note 3)										
In aggregate	March 15, 2013	(Note 1)	0.03	1,035,500	-	1,023,500	-	12,000	-	See note 4
	December 31, 2013	(Note 2)	0.03	1,555,500	-	1,475,500	-	80,000	-	See note 4
	December 31, 2014	(Note 2)	0.03	12,000	-	0	-	0	12,000	See note 4
	December 31, 2015	(Note 2)	0.06	3,748,432	-	3,241,008	-	0	507,424	See note 4
	December 31, 2016	(Note 2)	0.09	8,350,584	-	3,828,236	-	0	4,522,348	See note 4
	December 31, 2016	(Note 2)	0.06-0.09	9,576	-	9,576	-	0	-	See note 4
	December 31, 2017	(Note 2)	0.03	-	-	-	-	0	-	See note 4
Sub-total				14,711,592	-	9,577,820	-	92,000	5,041,772	
Consultants										
In aggregate	March 15, 2013	(Note 1)	0.03	36,000	-	-	-	36,000	-	See note 5
	December 31, 2013	(Note 2)	0.03	160,000	-	160,000	-	0	-	See note 5
	December 31, 2015	(Note 2)	0.06-0.09	38,312	-	19,156	-	0	19,156	See note 5
	December 31, 2016	(Note 2)	0.09	41,688	-	20,844	-	0	20,844	See note 5
Sub-total				276,000	-	200,000	-	36,000	40,000	
Total				14,987,592	-	9,777,820	-	128,000	5,081,772	

Directors' Report

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 the vesting commencement date.
- (2) 100% of the total number of the Options granted shall vest and become exercisable immediately after the grant date.
- (3) This includes former employees who were our employees on the date of grant, each of which is an independent third party of the Company.
- (4) In 2023, a total of 9,577,820 Options were exercised by the other employees of the Group. The weighted average closing price of these Shares before the relevant dates on which the Options were exercised in 2023 is HK\$1.94.
- (5) In 2023, a total of 200,000 Options were exercised by the Consultants. The weighted average closing price of these Shares before the relevant dates on which the Options were exercised in 2023 is HK\$1.62.

Post-IPO RSU Scheme

The Post-IPO RSU Scheme was adopted pursuant to the Shareholders' resolutions passed on June 22, 2021. The Company may appoint a trustee (the "**RSU Trustee**") to administer the Post-IPO RSU Scheme with respect to the grant of any RSU Award (as defined below), by way of restricted share unit(s) ("**RSU(s)**"), which may vest in the form of Shares (the "**Award Shares**") or the actual selling price of the Award Shares in cash in accordance with the Post-IPO RSU Scheme. The purpose of the Post-IPO RSU Scheme is to align the interests of Eligible Persons (as defined below) 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.

Any individual, being an employee, Director (including executive Directors, non-executive Directors and independent non-executive Directors) or officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate (an "**Eligible Person**" and, collectively "**Eligible Persons**") who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to the Group is eligible to receive an award granted by the Board (an "**Award**"), by way of RSUs, which may vest in the form of Award Shares or the actual selling price of the Award Shares of RSUs in cash in accordance with the Post-IPO RSU Scheme. However, no individual who is resident in a place where the grant, acceptance or vesting of an RSU Award pursuant to the Post-IPO RSU Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Post-IPO RSU Scheme.

An RSU Award gives a selected participant a conditional right, when the RSU vests, to obtain the Award Share or, if in the absolute discretion of the Board or its delegate(s), it is not practicable for the selected participant to receive the RSU Award in Shares, the cash equivalent from the sale of the Award Shares. An RSU Award includes all cash income from dividends in respect of those Shares from the date on which the RSU Award is granted (the "**Grant Date**") to the date on which the RSU Award vests. For the avoidance of doubt, the Board at its discretion may from time to time determine that any dividends declared and paid by our Company in relation to the Award Shares be paid to the selected participant even though the Award Shares have not yet vested.

The aggregate number of Shares underlying all grants made pursuant to the Post-IPO RSU Scheme (excluding RSU Awards which have been forfeited in accordance with the Post-IPO RSU Scheme) will not exceed 8% of the issued share capital of the Company as of the date of approval of the Post-IPO RSU Scheme, being 54,337,129 Shares, without Shareholders' approval (the "**Post-IPO RSU Scheme Limit**"), representing approximately 5.50% of the total issued share capital of the Company as of the date of this report.

Save as restricted by the Post-IPO RSU Scheme Limit or as otherwise restricted by the Listing Rules, for any 12-month period, the aggregate number of Shares granted to any participant shall not exceed 1% of the total number of the issued Shares at the relevant time, without Shareholders' approval.

The Board or the committee of the Board or person(s) to which the Board delegated its authority may from time to time while the Post-IPO RSU Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the RSU Award to be vested under the Post-IPO RSU Scheme. No payment is required for the acceptance of an RSU Award.

For the purposes of satisfying the grant of an RSU Award, the Company shall transfer to the RSU Trustee the necessary funds and instruct the RSU Trustee to acquire Shares through on-market transactions at the prevailing market price (i.e. the Company will not issue and allot Shares to the RSU Trustee for the aforesaid purpose) (please refer to the announcement of the Company dated March 27, 2024 for details). Where the RSU Trustee has received instructions from the Company to acquire shares through on-market transactions, the RSU Trustee shall acquire such number of Shares as instructed by the Company on-market at the prevailing market price as soon as reasonably practicable after receiving the necessary funds from the Company.

As at December 31, 2023, the remaining life of the Post-IPO RSU Scheme is approximately seven years and seven months.

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.

As of December 31, 2023, no restricted share unit had been granted or agreed to be granted under the Post-IPO RSU Scheme.

Directors' Report

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.

Any individual, being an employee, director or officer of any member of our Group who the Board may in its absolute discretion select may be granted an Option to subscribe for such number of Shares as the Board may determine at the Subscription Price (as defined below).

The maximum number of Shares in respect of which Options may be granted under the Post-IPO Option Scheme when aggregated with the maximum number of Shares in respect of which Options may be granted under any other option scheme over Shares shall not exceed 10% of the issued share capital of the Company as of the date of approval of the Post-IPO Option Scheme (or of the refreshing of the 10% limit) by the Shareholders, being 16,980,353 Shares (to be adjusted to 67,921,412 Shares upon the Share Subdivision), which represents approximately 6.88% of the total number of Shares in issue as at the date of this annual report. Options lapsed in accordance with the terms of the Post-IPO Option Scheme shall not be counted for the purpose of calculating the 10% limit. Within the aforesaid 10% limit (or alternatively subject to the approval of Shareholders in a general meeting), the maximum number of Shares to be issued upon exercise of all outstanding Options under this Post-IPO Option Scheme may be increased by increments as determined by the Board, provided that the total number of Shares to be issued upon exercise of all outstanding Options under the Post-IPO Option Scheme and all other schemes of the Company granted and yet to be exercised does not exceed 30% of all the Shares in issue from time to time. No Option may be granted under the Post-IPO Option Scheme if this will result in the limit being exceeded.

Except with the approval of Shareholders in a general meeting with the prospective grantee and his associates abstaining from voting, no Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options and any other Option over the Shares (including exercised, cancelled and outstanding Options) granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the Shares in issue from time to time.

An offer of the grant of an Option made to any grantee must be accepted within 28 days from the date of the offer made (provided such offer shall be open for acceptance after the effective period of the Post-IPO Option Scheme) and further requiring the employee to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Post-IPO Option Scheme.

Subject as provided in the Post-IPO Option Scheme and any conditions specified by the Board, an Option may, subject to the terms and conditions (including the specified period within which the Options must be exercised) upon which such Option is granted, be exercised in whole or in part by the grantee giving notice in writing to our Company in such form as the Board may from time to time determine stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised.

Subject to such terms and conditions as our Board may determine, there is no minimum period for which an Option must be held before it can be exercised (i.e. there is no requirements of vesting period) and no performance target needs to be achieved by the grantee before the Options can be exercised.

An Option shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter comprising acceptance of the offer of the grant of the Option duly signed by the grantee together with a payment to the Company and/or any of its subsidiaries of HK\$1 (or the equivalent of HK\$1 in the local currency of any jurisdiction where the Company and/or its subsidiaries operate, as the Board may in its absolute discretion determine) by way of consideration for the grant thereof is received by the Company within the time period specified in the offer of the grant of the Option. Such remittance shall not be refundable.

The amount payable for each Share to be subscribed for under an Option ("**Subscription Price**") in the event of the Option being exercised shall be determined by the Board at its absolute discretion, but shall be not less than the greater of: (i) the closing price of a Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of the offer made; (ii) the average closing price of our Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share on the date of grant.

The Post-IPO Option Scheme shall be valid and effective for a period of 10 years commencing on the date when the Post-IPO Option Scheme becomes unconditional, after which period no further Options will be granted pursuant to the provisions of the Post-IPO Option Scheme, but the provisions of this Post-IPO Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Option Scheme. As at December 31, 2023, the remaining life of the Post-IPO Option Scheme is approximately seven years and six months.

Further details of the principal terms of the Post-IPO Option Scheme are summarized in the section headed "Statutory and General Information – F. Post-IPO Option Scheme" in Appendix IV to the Prospectus.

As of December 31, 2023, no Option had been granted or agreed to be granted under the Post-IPO Option Scheme. As such, the number of Options available for grant under the Post-IPO Option scheme at the beginning and the end of the year ended December 31, 2023 was the same as the maximum number of Shares in respect of which Options may be granted under the Post-IPO Option Scheme as described above.

The total number of Shares that may be issued in respect of Options granted under all schemes of the Company during the year ended December 31, 2023 (i.e. nil) divided by the weighted average number of Shares in issue for the year ended December 31, 2023 was zero.

Directors' Report

Directors

The Directors during the year ended December 31, 2023 and up to the date of this annual report were:

Name	Position/Title
Dr. Huang Shiang	Executive Director, Chief Executive Officer, chief medical officer and Chairman
Mr. Tu Zanbing	Executive Director and chief operating officer
Ms. Chai Haijie	Executive Director and Chief Financial Officer
Mr. Huang Zuie-Chin	Non-executive Director
Mr. Peng Wei	Non-executive Director
Ms. Huang Lu	Non-executive Director
Dr. Yao Shanglong	Independent non-executive Director
Dr. Xia Xinping	Independent non-executive Director
Mr. Gu Huaming	Independent non-executive Director

In accordance with the Articles of Association, Dr. Yao Shanglong, Dr. Xia Xinping and Mr. Gu Huaming will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming AGM.

The biographical details of the Directors and senior management of the Company as at the Latest Practicable Date are set out in the chapter headed "Directors and Senior Management" in this annual report.

Save as disclosed in the chapter headed "Directors and Senior Management" in this annual report, there is no change in the information of the Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Directors' Service Contracts and Letters of Appointment

Each of our executive Directors and non-executive director has entered into a service contract with our Company on June 22, 2021. The initial term of their respective service contract shall commence from the date of their appointment until terminated in accordance with the terms and conditions of the service agreement or by either party giving to the other not less than three months' prior notice.

Each of the independent non-executive Directors has entered into an appointment letter with our Company effective from June 29, 2021. The initial term for their appointment letters shall commence from the date of their appointment for a period of three years, whichever is earlier (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing.

The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules. None of our Directors has an unexpired service contract with members of our Group that is determinable by our Group within one year without payment of compensation, other than statutory compensation.

Confirmation of Independence of Independent Non-executive Directors

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors (being Dr. Yao Shanglong, Dr. Xia Xinping and Mr. Gu Huaming), and the Company considers such Directors to be independent for the year ended December 31, 2023.

Directors' and Controlling Shareholders' Interests in Transactions, Arrangements or Contracts of Significance

Save as the related party transactions as disclosed in note 38 to the consolidated financial statements and the connected transactions as disclosed in the section headed "Connected Transactions" in this directors' report, there were no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director and/or any of his/her connected entity had a material interest, whether directly or indirectly, and there was no transaction, arrangement or contract of significance between the Company or any of its subsidiaries and the Company's controlling shareholders or any of its subsidiaries, subsisted at the end of, or at any time during the year ended December 31, 2023.

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

As of December 31, 2023, 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 which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or are deemed to have taken under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were 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 ⁽¹⁾⁽²⁾	Settlor of a trust and interest of spouse	145,363,368	14.74
("Dr. Huang")	Beneficial interest	1,062,500	0.11
Mr. Tu Zanbing ⁽³⁾	Interest in controlled corporation	38,624,144	3.92
("Mr. Tu")	Beneficial interest	25,737,720	2.61
Ms. Chai Haijie ("Ms. Chai")	Beneficial interest	10,166,456	1.03
Mr. Huang Zuie-Chin ⁽⁴⁾	Interest in controlled corporation	72,539,632	7.35
("Mr. Huang")	Beneficial interest	580,000	0.06

Directors' Report

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. 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) 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. Ningbo Ruifu is ultimately controlled by Mr. Huang Zuie-Chin. Accordingly, Mr. Huang Zuie-Chin is deemed to be interested in (i) the 41,829,140 Shares held by Wuhan Ruifu, and (ii) the 30,710,492 Shares held by Ningbo Xinyue.

(ii) Interests in associated corporations

Name of Director or chief executive	Name of associate corporation	Amount of registered capital held (RMB) ⁽¹⁾	Approximate % of interest
Dr. Huang Shiang	Wuhan Kindstar	6,644,000	96.29
	Kindstar Global Wuhan	10,000,000	99.01
	Wuhan Haixi	99,000	9.90
Mr. Tu Zanbing	Wuhan Kindstar	256,000	3.71
	Kindstar Global Wuhan	100,000	0.99
	Shanghai Xinuo	475,000	9.50
	Kindstar Zhenyuan	1,000,000	10

Save as disclosed above, as of December 31, 2023, no Directors or chief executives of the Company had or was deemed to have an interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations, within the meaning of Part XV of the SFO, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or are deemed to have taken under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or which were required to be 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 of December 31, 2023, to the best knowledge of the Directors, the following persons, other than Directors and chief executives of the Company, had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein:

Name of substantial shareholder	Capacity/Nature of interest	Number of Shares interested	Approximate % of shareholding
Ms. Guo Gui-Rong	Beneficial interest	3,971,020(L)	0.40
	Interest held through voting powers entrusted by other persons ⁽¹⁾	90,454,452(L)	9.17
	Settlor of a trust ⁽²⁾ and interest of spouse	52,000,396(L)	5.27
Dr. Huang Shiang ⁽³⁾⁽⁴⁾	Settlor of a trust and interest of spouse	145,363,368(L)	14.74
	Beneficial interest	1,062,500(L)	0.11
Mr. Huang Bo ⁽²⁾⁽³⁾	Interest in controlled corporation	99,299,404(L)	10.07
Perfect Tactic ⁽¹⁾⁽³⁾	Beneficial interest	48,361,508(L)	4.90
Jackson Hole ⁽²⁾⁽³⁾	Beneficial interest	50,937,896(L)	5.16
	Interest in controlled corporation	48,361,508(L)	4.90
Infinite Prosperity ⁽³⁾	Interest in controlled corporation	48,361,508(L)	4.90
Mr. Huang Zuie-Chin ⁽⁵⁾	Interest in controlled corporation	72,539,632(L)	7.35
	Beneficial interest	580,000(L)	0.06
Ningbo Ruifu ⁽⁵⁾	Interest in controlled corporation	72,539,632(L)	7.35

Directors' Report

Name of substantial shareholder	Capacity/Nature of interest	Number of Shares interested	Approximate % of shareholding
Madam Chan Tan Ching Fen ⁽⁶⁾	Founder of a discretionary trust who influence how the trustee exercises his discretion	91,068,160(L)	9.23
Ghalibo (PTC) Limited ("Ghalibo") ⁽⁶⁾	Trustee	91,068,160(L)	9.23
Morningside Holdings (Asia) Limited ("Morningside Holdings") ⁽⁶⁾	Interest in controlled corporation	91,068,160(L)	9.23
Healthcare Asia (Holdings) Inc. ("HCA Holdings") ⁽⁶⁾	Interest in controlled corporation	91,068,160(L)	9.23
Healthcare Asia (China) Inc. ("HCA China") ⁽⁶⁾	Interest in controlled corporation	91,068,160(L)	9.23
Healthcare Asia Laboratories Inc. ("HCA Laboratories") ⁽⁶⁾	Interest in controlled corporation	91,068,160(L)	9.23
HCA Health Investments Inc. ("HCA Investments") ⁽⁶⁾	Beneficial interest	91,068,160(L)	9.23
CPE Holdings International Limited ("CPE International") ⁽⁷⁾	Interest in controlled corporation	80,367,640(L)	8.15
CPE Holdings Limited ("CPE Holdings") ⁽⁷⁾	Interest in controlled corporation	80,367,640(L)	8.15
CPE Funds III Limited ("CPE Funds III") ⁽⁷⁾	Interest in controlled corporation	80,367,640(L)	8.15
CPEChina Fund III, L.P. ("CPEChina") ⁽⁷⁾	Interest in controlled corporation	80,367,640(L)	8.15
CK Lab Tech Investment Limited ("CK Lab Tech") ⁽⁷⁾	Beneficial interest	80,367,640(L)	8.15
Mr. Tu Zanbing	Interest in controlled corporation ⁽¹⁾⁽⁸⁾ Beneficial interest	38,624,144(L) 25,737,720(L)	3.92 2.61

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. Ningbo Ruifu 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 and (ii) the 30,710,492 Shares held by Ningbo Xinyue.
- (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.

Save as disclosed above, as of December 31, 2023, to the best knowledge of the Directors, no other persons (not being Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein.

Directors' Report

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended December 31, 2023.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Articles of Association, although there are no restrictions against such rights under the laws in the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

Tax Relief and Exemption

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

Emolument Policy

Our Directors believe that the ability to attract, motivate and retain a sufficient number of qualified employees is of significant importance to the long-term successful development of our Group. The remuneration package for our employees generally includes basic wages, variable wages, bonuses and other staff benefits. We made contributions to mandatory employee benefit plans (including pension, work-related injury benefits, maternity insurance, medical and unemployment benefit plans and housing fund). We also granted restricted stock units as share incentives to qualified directors and employees and adopted the share option scheme, details of both schemes are set out under the sections headed "Post-IPO RSU Scheme" and "Post-IPO Option Scheme" in this directors' report, to motivate our employees. Our Group has established the Remuneration Committee to review the policy and structure of the remuneration for our Directors and senior management and make recommendations on the remuneration packages of individual executive Directors and senior management. In general, our Group determines the emolument payable to our Directors based on each Director's time commitment and responsibilities, salaries paid by comparable companies as well as the employment conditions elsewhere in our Group.

Employee Benefits

Particulars of the employee benefits of the Group are set out in note 10 to the consolidated financial statements.

Pursuant to code provision E.1.5 of the CG Code, the annual remuneration of the senior management by band for the year ended December 31, 2023 is set out below:

Remuneration	Number of senior management
Nil to RMB1,000,000	3
RMB1,000,001 to RMB1,500,000	0
RMB1,500,001 to RMB2,000,000	0

Public Float

As at the Latest Practicable Date and based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained minimum public float of 25% as required under the Listing Rules.

Rights to Acquire the Company's Securities and Equity-Linked Agreements

Save as disclosed in the sections headed "Pre-IPO Stock Incentive Plans", "Post-IPO RSU Scheme" and "Post-IPO Option Scheme" in this directors' report, at no time during the year ended December 31, 2023 was the Company, or any of its subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, nor did the Company enter into any equity-linked agreement.

Directors' and Controlling Shareholders' Interests in Competing Business

Save for their respective interests in the Group, none of the Directors and the controlling shareholders of the Company was interested in any business which competes or is likely to compete with the businesses of the Group for the year ended December 31, 2023. From time to time our non-executive Directors may serve on the boards of both private and public companies within the broader healthcare industries. However, as these non-executive Directors are neither our controlling shareholders nor members of our executive management team, we do not believe that their interests in such companies as directors would render us incapable of carrying on our business independently from the other companies in which they may hold directorships from time to time.

Permitted Indemnity Provision

Pursuant to the Articles of Association, the Directors, auditors and other officers of the Company shall be entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices. Such provisions were in force throughout the year ended December 31, 2023 and are currently in force.

The Company has arranged for appropriate insurance cover for Directors' liabilities in respect of legal actions that may be brought against the Directors during the year ended December 31, 2023.

Directors' Report

Use of Proceeds from the Global Offering

Our Shares were listed on the Main Board of the Stock Exchange 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. Details of the Group's use of proceeds from the Global Offering as at December 31, 2023 are set out in the section headed "Management Discussion and Analysis – Use of Proceeds from the Global Offering" in this annual report.

Non-Exempt Continuing Connected Transactions Contractual Arrangements

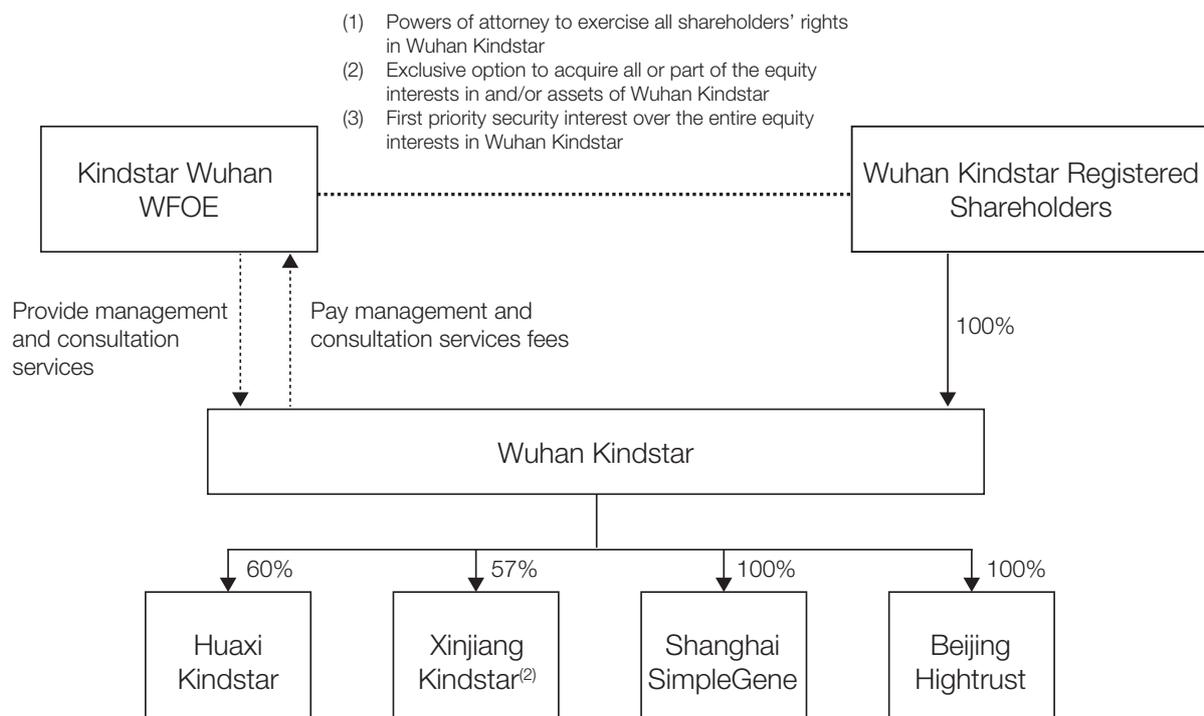
Background for the Contractual Arrangements

As disclosed in the section headed “Contractual Arrangements” in the Prospectus, due to regulatory restrictions or prohibitions on foreign ownership in the PRC, we are restricted of or prohibited from directly owning equity interest in Wuhan Kindstar and Kindstar Global Wuhan. Therefore, in order for our Group to effectively control and enjoy the entire economic benefit of Wuhan Kindstar and Kindstar Global Wuhan, two sets of contractual arrangements (“**Contractual Arrangements**”) have been entered into among (i) Kindstar Wuhan WFOE, Wuhan Kindstar, Dr. Huang and Mr. Tu; and (ii) Kindstar Beijing WFOE, Kindstar Global Wuhan, Dr. Huang and Mr. Tu. The Contractual Arrangements enable us to (i) receive substantially all of the economic benefits from Wuhan Kindstar and Kindstar Global Wuhan in consideration for the services provided by Kindstar Wuhan WFOE and Kindstar Beijing WFOE to Wuhan Kindstar and Kindstar Global Wuhan, respectively; (ii) exercise effective control over Wuhan Kindstar and Kindstar Global Wuhan; and (iii) hold an exclusive option to purchase all or part of the equity interests in Wuhan Kindstar and Kindstar Global Wuhan with the lowest extent of purchase prices permitted by PRC law.

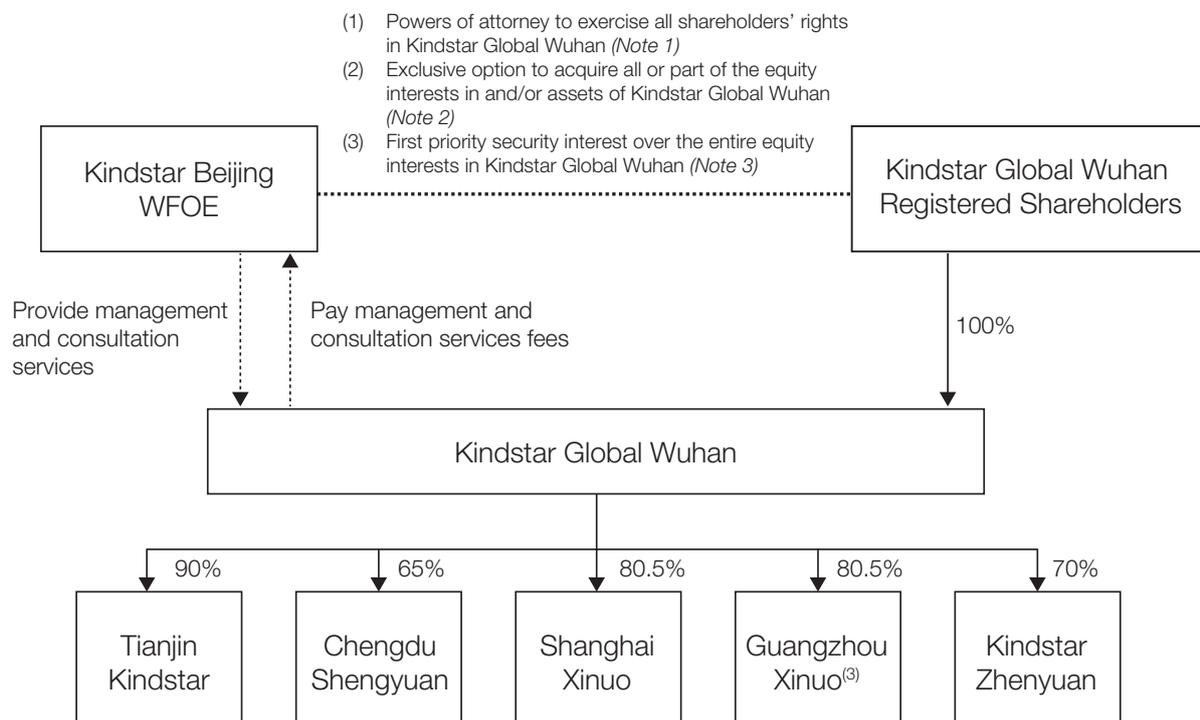
Principal terms

Each set of the Contractual Arrangements consists of six types of agreements: (i) the Exclusive Business Cooperation Agreement; (ii) the Exclusive Option Agreement; (iii) the Equity Pledge Agreement; (iv) the Powers of Attorney; (v) the Confirmation and Undertakings from the Registered Shareholders; and (vi) the Spouse Undertakings. See the section headed “Contractual Arrangements” in the Prospectus for detailed terms of the Contractual Arrangements.

The following simplified diagrams illustrate the flow of economic benefits from the PRC Consolidated Entities to our Group stipulated under the Contractual Arrangements as disclosed in the Prospectus:



Directors' Report



Notes: (1) "→" denotes direct legal and beneficial ownership in the equity interests and "-->" denotes contractual relationship.

(2) Xinjiang Kindstar was held as to 100% directly by Wuhan Kindstar since September 30, 2021.

(3) Guangzhou Xinuo was deregistered on January 10, 2022.

As of December 31, 2023, the Wuhan Kindstar registered shareholders were the following persons who together held 100% of the equity interest of Wuhan Kindstar:

Shareholders	Registered Capital (RMB)	Approximate percentage of shareholding
Dr. Huang Shiang	6,644,000	96.29%
Mr. Tu Zanbing	256,000	3.71%
Total	6,900,000	100%

As of December 31, 2023, the Kindstar Global Wuhan registered shareholders were the following persons who together held 100% of the equity interest of Kindstar Global Wuhan:

Shareholders	Registered Capital (RMB)	Approximate percentage of shareholding
Dr. Huang Shiang	10,000,000	99.01%
Mr. Tu Zanbing	100,000	0.99%
Total	10,100,000	100%

In relation to the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules; (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules. For details of the aforesaid waiver, please refer to the section headed "CONTINUING CONNECTED TRANSACTIONS — WAIVERS GRANTED BY THE STOCK EXCHANGE — Contractual Arrangements" in the Prospectus.

Save as disclosed above, there are no other new contractual arrangements entered into, renewed and/or reproduced between the Group and the PRC Consolidated Entities during the year ended December 31, 2023. Save as disclosed above, there was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the year ended December 31, 2023.

For the year ended December 31, 2023, none of the Contractual Arrangements has been unwound as none of the restrictions that led to the adoption of structured contracts under the Contractual Arrangements has been removed.

As at December 31, 2023, the Group had not encountered interference or encumbrance from any PRC governing bodies in operating its businesses through the PRC Consolidated Entities under the Contractual Arrangements.

We have been advised by our PRC legal advisors that the Contractual Arrangements do not violate the relevant PRC regulations.

For the year ended December 31, 2023, all of our revenue was derived from the PRC Consolidated Entities. The aggregate assets of the PRC Consolidated Entities amounted to approximately RMB2,219 million for the year ended December 31, 2023 which accounted for approximately 60.47% of the total assets for the year of the Group.

Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into among the parties thereto; (ii) by entering into the Exclusive Business Cooperation Agreements with each of Kindstar Wuhan WFOE and Kindstar Beijing WFOE, our PRC Consolidated Entities will enjoy better economic and technological support from us, as well as a better market reputation after the Listing; and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

Directors' Report

Risks relating to the Contractual Arrangements

We believe the following risks are associated with the Contractual Arrangements. Further details of these risks are set out on pages 93 to 97 of the Prospectus.

- If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of contractual arrangements and the relinquishment of our interest in PRC Consolidated Entities.
- Our contractual arrangements may not be as effective in providing operational control as direct ownership. PRC Consolidated Entities or its registered shareholders may fail to perform their obligations under our contractual arrangements.
- We may lose the ability to use licenses, approvals and assets held by PRC Consolidated Entities that are material to our business operations if PRC Consolidated Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.
- The registered shareholders of PRC Consolidated Entities may have conflicts of interest with us, which may materially and adversely affect our business.
- If we exercise the option to acquire equity ownership and assets of PRC Consolidated Entities, the ownership or asset transfer may subject us to certain limitations and substantial costs.
- Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance, and business operations.
- Our contractual arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

Mitigation actions taken by us

Our management works closely with our executive Directors and our external legal counsels and advisors to monitor the regulatory environment and developments in PRC laws and regulations to mitigate the risks associated with the Contractual Arrangements.

Besides, our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (b) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (c) our Company will disclose the overall performance of and compliance with the Contractual Arrangements in its annual reports; and
- (d) our Company will engage external legal advisers or other professional advisers, if necessary, to assist our Board with reviewing the implementation of the Contractual Arrangements, and review the legal compliance of the WFOEs and the PRC Consolidated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

The extent to which the Contractual Arrangements relate to requirements other than the foreign ownership restriction

All of the Contractual Arrangements are subject to the restrictions as set out on pages 327 to 331 of the Prospectus.

Confirmation from the independent non-executive Directors

The independent non-executive Directors have confirmed that the above continuing connected transactions have been entered into: (i) in the ordinary and usual course of the Group's business; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreement governing them and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Directors' Report

Confirmations from the auditor

The auditor of the Group was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his letter to the Board containing his findings and conclusions in respect of the continuing connected transactions as set out above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange which stated that:

- a) nothing has come to the attention of the auditor that causes the auditor to believe that the above continuing connected transactions have not been approved by the Board;
- b) for transactions involving the provision of goods or services by the Group, nothing has come to the attention of the auditor that causes the auditor to believe that the above continuing connected transactions were not entered into, in all material respects, in accordance with the pricing policies of the Group;
- c) nothing has come to the attention of the auditor that causes the auditor to believe that the above continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- d) with respect to the disclosed continuing connected transactions with Kindstar Wuhan WFOE and Kindstar Beijing WFOE under the contractual arrangements, nothing has come to the auditors' attention that causes the auditor to believe that dividends or other distributions have been made by Kindstar Wuhan WFOE and Kindstar Beijing WFOE to the holders of the equity interests of Kindstar Wuhan WFOE and Kindstar Beijing WFOE which are not otherwise subsequently assigned or transferred to the Group.

During the year ended December 31, 2023, save as disclosed above, no related party transactions disclosed in note 38 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year under review.

Annual General Meeting

The AGM will be held on Wednesday, June 5, 2024. A notice convening the AGM will be published and dispatched to the Shareholders in the manner required by the Listing Rules in due course.

Closure of Register of Members

For the purpose of ascertaining the Shareholders' eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Friday, May 31, 2024 to Wednesday, June 5, 2024, both dates inclusive, during which period no transfer of share will be registered. In order to be eligible as Shareholders to attend and vote at the AGM, unregistered holders of Shares shall ensure that all transfer of shares documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, May 30, 2024.

Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report from pages 35 to 55 of this annual report.

Audit Committee

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and discussed the Group's risk management, internal controls and financial reporting matters with the management. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2023.

Auditor

The financial statements for the year ended December 31, 2023 have been audited by Ernst & Young who shall retire at the forthcoming AGM and, being eligible, will offer themselves for re-appointment. A resolution will be proposed at the forthcoming AGM to reappoint Ernst & Young as the auditor of the Company.

Save as otherwise stated, all references above to other sections, reports or notes in this annual report form part of this directors' report.

On behalf of the Board

Huang Shiang

Chairman

March 27, 2024

Independent Auditor's Report

31 December 2023



To the shareholders of Kindstar Globalgene Technology, Inc.

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Kindstar Globalgene Technology, Inc. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 128 to 226, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters (Continued)

Key audit matters	How our audit addressed the key audit matter
<p>As described in note 21 to the consolidated financial statements, the Group's trade receivables were RMB566,561,000 representing 15.44% of the total assets of the Group, on which, amount of RMB61,269,000 was provided for expected credit losses ("ECL") as at 31 December 2023.</p> <p>Management estimates amount of lifetime ECL of trade receivables based on provision matrix through grouping of various customers into different groupings, after considering ageing, historical denial and past collection experience, as well as forecasts of future economic conditions.</p> <p>In addition, trade receivables with significant outstanding and credit-impaired balances are assessed for ECL individually. As the process involves significant estimates, which may be affected by unexpected future market and economic conditions, we identified provision for ECL on trade receivables as a key audit matter.</p> <p>Details of the provision for ECL on trade receivables are disclosed in note 2.4, 3, 21 and 41 to the consolidated financial statements.</p>	<p>Our procedures in relation to provision for expected credit losses on trade receivables included:</p> <ul style="list-style-type: none"> • Obtained an understanding of relevant controls relating to provision for expected credit losses; • Tested the information used by management to prepare the provision matrix, including the aging and historical collection records of trade receivables by comparing individual items in the analysis, on sample basis, to supporting billings and collections; • With the assistance of our internal valuation specialists, challenged management's basis and judgement in determining ECL of trade receivables, including their identification and evaluation of individually assessed trade receivables, the reasonableness of the management's grouping of various customers and the estimated loss rates applied in each category in the provision matrix and tested the mathematical accuracy of management's calculation; and • Checked the adequacy of the disclosures made in the financial statements regarding the impairment assessment of trade receivables.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

31 December 2023

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Certified Public Accountants

Hong Kong

27 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	5	967,260	1,386,591
Cost of sales		(516,131)	(783,536)
Gross profit		451,129	603,055
Other income and gains	6	138,094	68,870
Selling and marketing expenses		(307,781)	(360,562)
Administrative expenses		(105,626)	(80,406)
Research and development costs		(105,337)	(101,226)
Other expenses	7	(19,123)	(43,898)
Finance costs	9	(8,034)	(2,517)
PROFIT BEFORE TAX		43,322	83,316
Income tax expense	12	(6,875)	(5,832)
PROFIT FOR THE YEAR		36,447	77,484
Attributable to:			
Owners of the parent	14	41,286	75,457
Non-controlling interests		(4,839)	2,027
		36,447	77,484

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2023

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of the financial statements of the Company		32,198	108,147
Other comprehensive expense for the year, net of tax		32,198	108,147
Total comprehensive income for the year, net of tax		68,645	185,631
Attributable to:			
Owners of the parent		73,484	183,604
Non-controlling interests		(4,839)	2,027
		68,645	185,631
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)			
For profit for the year	<i>14</i>	4.31 cents	9.49 cents
Diluted (RMB)			
For profit for the year	<i>14</i>	4.25 cents	9.22 cents

Consolidated Statement of Financial Position

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	437,033	378,718
Prepayment for purchase of property, plant and equipment		85,485	32,803
Right-of-use assets	31	41,269	20,598
Prepayments, deposits and other receivables	22	5,194	954
Other intangible assets	16	31,335	32,741
Time deposits	24	10,000	225,000
Investments in associates	17	5,950	6,520
Deferred tax assets	30	54,385	52,007
Goodwill	18	9,497	10,439
Financial assets at FVTPL	19	280,482	216,764
Total non-current assets		960,630	976,544
CURRENT ASSETS			
Inventories	20	48,701	58,685
Trade and bills receivables	21	566,561	633,853
Prepayments, deposits and other receivables	22	44,832	48,134
Amounts due from related parties	38	13,480	1,143
Financial assets at FVTPL	19	–	49,197
Time deposits (more than 3 months)	24	552,450	1,271,836
Pledged deposits	23	9,756	5,593
Cash and cash equivalents	23	1,472,799	680,359
Total current assets		2,708,579	2,748,800

Consolidated Statement of Financial Position

31 December 2023

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
CURRENT LIABILITIES			
Trade and bills payables	25	221,740	299,513
Other payables and accruals	26	313,685	320,355
Contract liabilities	27	11,924	11,793
Interest-bearing bank borrowings	28	152,900	180,000
Profit tax payable		1,322	1,579
Amounts due to related parties	38	23,374	25,546
Lease liabilities	31	12,132	10,998
Deferred tax liabilities	30	5,772	5,350
Contingent Consideration	39	922	6,419
Total current liabilities		743,771	861,553
NET CURRENT ASSETS		1,964,808	1,887,247
TOTAL ASSETS LESS CURRENT LIABILITIES		2,925,438	2,863,791
NON-CURRENT LIABILITIES			
Deferred income	29	1,201	1,199
Lease liabilities	31	29,256	8,863
Total non-current liabilities		30,457	10,062
Net assets		2,894,981	2,853,729
EQUITY IN EQUITY			
Equity attributable to owners of the parent			
Share capital	32	1,543	1,556
Treasury shares	32	59	43
Reserves	33	2,870,390	2,824,919
		2,871,992	2,826,518
Non-controlling interests		22,989	27,211
Total equity		2,894,981	2,853,729

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

	Attributable to owners of the parent									Total (deficit)/ equity RMB'000
	Share capital RMB'000 (note 32)	Treasury shares RMB'000 (note 32)	Capital reserve RMB'000 (note 33)	Other capital reserve RMB'000 (note 33)	Share-	Exchange fluctuation reserve RMB'000 (note 33)	Accumulated losses RMB'000 (note 33)	Total RMB'000	Non- controlling interests RMB'000	
					based					
					payment reserve RMB'000 (note 33)					
At 1 January 2023	1,556	43	6,050,394	(190,779)	109,663	158,277	(3,302,636)	2,826,518	27,211	2,853,729
Profit for the year	-	-	-	-	-	-	41,286	41,286	(4,839)	36,447
Other comprehensive expense for the year:										
Exchange differences on translation of the financial statements of the Company	-	-	-	-	-	32,198	-	32,198	-	32,198
Total comprehensive income for the year	-	-	-	-	-	32,198	41,286	73,484	(4,839)	68,645
Shares issued upon exercise of share options	17	-	1,075	-	(1,092)	-	-	-	-	-
Repurchase of ordinary shares	(30)	16	(27,996)	-	-	-	-	(28,010)	-	(28,010)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(1,783)	(1,783)
Capital injection into a subsidiary by non-controlling shareholders	-	-	-	-	-	-	-	-	1,913	1,913
Acquisition of subsidiary (note 35)	-	-	-	-	-	-	-	-	487	487
At 31 December 2023	1,543	59	6,023,473	(190,779)	108,571	190,475	(3,261,350)	2,871,992	22,989	2,894,981

* 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.

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

	Attributable to owners of the parent									Total (deficit)/ equity RMB'000
	Share capital RMB'000 (note 32)	Treasury shares RMB'000 (note 32)	Capital reserve RMB'000 (note 33)	Other capital reserve RMB'000 (note 33)	Share-	Exchange fluctuation reserve RMB'000 (note 33)	Accumulated losses RMB'000 (note 33)	Total RMB'000	Non- controlling interests RMB'000	
					based					
					payment reserve RMB'000 (note 33)					
At 1 January 2022	1,466	1	6,117,696	(190,524)	119,539	50,130	(3,378,093)	2,720,215	4,593	2,724,808
Profit for the year	-	-	-	-	-	-	75,457	75,457	2,027	77,484
Other comprehensive expense for the year:										
Exchange differences on translation of the financial statements of the Company	-	-	-	-	-	108,147	-	108,147	-	108,147
Total comprehensive income for the year	-	-	-	-	-	108,147	75,457	183,604	2,027	185,631
Shares issued upon exercise of share options	159	-	9,717	-	(9,876)	-	-	-	-	-
Repurchase of ordinary shares	(69)	42	(77,019)	-	-	-	-	(77,046)	-	(77,046)
Acquisition of non-controlling interests	-	-	-	(255)	-	-	-	(255)	255	-
Capital injection into a subsidiary by non-controlling shareholders	-	-	-	-	-	-	-	-	15,000	15,000
Acquisition of subsidiary	-	-	-	-	-	-	-	-	5,336	5,336
At 31 December 2022	1,556	43	6,050,394	(190,779)	109,663	158,277	(3,302,636)	2,826,518	27,211	2,853,729

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		43,322	83,316
Adjustments for:			
Bank interest income	6	(80,122)	(50,328)
Interest income from wealth management assets	6	(2,712)	(977)
Foreign exchange losses/(gains), net	7	1,587	(3,354)
Finance costs	9	8,034	2,517
Share of losses/(profits) of associates	6	570	(2,445)
Gain on acquisition of a subsidiary	6	–	(1,626)
Fair value gains on financial assets at FVTPL	6	(15,765)	(733)
Fair value losses on financial assets at FVTPL	6	1,197	8,908
Fair value gains on contingent consideration	6	(5,140)	(3,965)
Losses on disposal of property, plant and equipment and other intangible assets	7	221	271
Depreciation of property, plant and equipment	15	48,691	46,660
Depreciation of right-of-use assets	31	20,669	13,235
Amortisation of other intangible assets	16	5,665	4,993
Impairment losses, net of reversal:			
– Inventories	7	1,081	4,228
– Impairment of property, plant and equipment	7	–	13,314
– Goodwill		942	–
– Financial assets under expected credit losses (“ECL”) model	7	1,238	25,656
		29,478	139,670
Decrease/(Increase) in inventories		8,903	(11,292)
Decrease/(Increase) in trade and bills receivables		66,054	(318,421)
Increase in prepayments, deposits and other receivables		(14,861)	(2,735)
(Decrease)/Increase in trade and bills payables		(77,773)	164,385
(Decrease)/Increase in other payables and accruals		(13,463)	57,811
Increase in contract liabilities		131	5,769
Increase/(decrease) in deferred income		2	(707)
(Increase) in pledged deposits		(4,163)	(5,593)
Cash (used in)/from operating activities		(5,692)	28,887
Income tax paid		(9,088)	(7,480)
Net cash flows (used in)/from operating activities		(14,780)	21,407

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<i>6</i>	80,122	50,328
Interest income from wealth management assets	<i>6</i>	2,712	977
Purchases of property, plant and equipment		(168,758)	(119,666)
Purchases of other intangible assets	<i>16</i>	(6,112)	(4,643)
Purchase of wealth management products		–	(71,300)
Disposal of wealth management products		48,000	96,300
Purchase of time deposits with original maturity of more than 3 months		(467,051)	(1,162,681)
Disposal of time deposits with original maturity of more than 3 months		1,401,436	–
Proceeds from disposal of intangible assets	<i>16</i>	1,853	11
Proceeds from disposal of property, plant and equipment		10,862	10,206
Acquisition of a subsidiary		(1,066)	(8,418)
Investment in unlisted funds		(47,076)	(136,267)
Net cash flows from/(used in) investing activities		854,922	(1,345,153)
NET CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings		152,900	180,000
Repayment of bank borrowings		(180,000)	–
Payment for exercise of share options		–	(3,304)
Interest paid		(6,129)	(1,666)
Lease payments		(21,718)	(15,340)
Payment for repurchase of shares		(28,010)	(77,046)
Dividend paid to non-controlling shareholders		(1,783)	–
Contribution from non-controlling shareholders		1,913	15,000
Net cash flows (used in)/from financing activities		(82,827)	97,644
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		680,359	1,796,700
Effect of foreign exchange rate changes, net		35,125	109,761
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,472,799	680,359

Notes to the Consolidated Financial Statements

31 December 2023

1. Corporate and Group Information

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

The Company is an investment holding company. During the reporting periods, the major subsidiaries of the Company were principally engaged in the provision of clinical testing services in the People’s Republic of China (the “PRC”). The subsidiaries established in the PRC are all limited liability companies incorporated under the PRC laws.

Information about subsidiaries

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

Name	Notes	Date and place of incorporation/ registration and place of operations	Issued ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Kindstar Globalgene (HK) Limited		Hong Kong 30-Aug-2007	HKD10,000	100%	–	Investment holding
Kindstar Singapore Holdings PTE. Ltd.		Singapore 11-Sep-2019	US\$1	100%	–	Investment holding
康聖環球(北京)醫學技術有限公司 Kindstar Global (Beijing) Technology Co., Ltd.* ("Kindstar Beijing WFOE")		PRC/Chinese Mainland 20-Nov-2007	RMB121,000,000	–	100%	Investment holding
武漢康聖達醫學檢驗所有限公司 Wuhan Kindstar Medical Laboratory Co., Ltd.* ("Wuhan Kindstar")		PRC/Chinese Mainland 8-Aug-2003	RMB6,900,000	–	100%	Clinical Testing Service
北京海思特醫學檢驗實驗室有限公司 Beijing Hightrust Medical Laboratory Co., Ltd.* ("Beijing Hightrust")		PRC/Chinese Mainland 26-Aug-2005	RMB20,000,000	–	100%	Clinical Testing Service
上海新培晶醫學檢驗所有限公司 Shanghai SimpleGene Medical Laboratory Co., Ltd.* ("Shanghai SimpleGene")	(a)	PRC/Chinese Mainland 28-Sep-2004	RMB20,000,000	–	100%	Clinical Testing Service

1. Corporate and Group Information (continued)

Information about subsidiaries (continued)

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

Name	Notes	Date and place of incorporation/ registration and place of operations	Issued ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
新疆康聖達醫學檢驗所有限公司 Xinjiang Kindstar Medical Laboratory Co., Ltd. * ("Xinjiang Kindstar")		PRC/Chinese Mainland 6-Apr-2017	RMB16,000,000	–	100%	Clinical Testing Service
四川華西康聖達醫學檢驗有限公司 Sichuan Huaxi Kindstar Medical Laboratory Co., Ltd. * ("Huaxi kindstar")		PRC/Chinese Mainland 29-Dec-2017	RMB10,000,000	–	60%	Clinical Testing Service
成都聖元醫學檢驗實驗室有限公司 Chengdu Shengyuan Medical Laboratory Co., Ltd.* ("Chengdu Shengyuan")		PRC/Chinese Mainland 16-Oct-2018	RMB5,000,000	–	65%	Clinical Testing Service
康聖環球(武漢)醫學特檢技術有限公司 Kindstar Global (Wuhan) Medical Esoteric Technology Co., Ltd. ("Kindstar Global Wuhan")		PRC/Chinese Mainland 05-Sep-2017	RMB10,100,000	–	100%	Investment holding
天津康聖達醫學檢驗實驗室有限公司 Tianjin Kindstar Medical Laboratory Co., Ltd.* ("Tianjin Kindstar")		PRC/Chinese Mainland 27-Oct-2017	RMB5,000,000	–	90%	Clinical Testing Service
上海希諾醫學檢驗實驗室有限公司 Shanghai Xinuo Medical Laboratory Co., Ltd. ("Shanghai Xinuo")		PRC/Chinese Mainland 15-Oct-2019	RMB5,000,000	–	80.5%	Clinical Testing Service
康聖環球醫學科技(武漢)有限公司 Kindstar Global Medical Technology (Wuhan) Co., Ltd. ("Kindstar Wuhan WFOE")		PRC/Chinese Mainland 11-Sep-2020	RMB800,000,000	–	100%	Investment holding

Notes to the Consolidated Financial Statements

31 December 2023

1. Corporate and Group Information (continued)

Information about subsidiaries (continued)

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

Name	Notes	Date and place of incorporation/ registration and place of operations	Issued ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
武漢康聖真源醫學檢驗所有限公司 Wuhan Kindstar Zhenyuan Medical Laboratory Co., Ltd. ("Kindstar Zhenyuan")	(b)	PRC/Chinese Mainland 3-Feb-2021	RMB10,000,000	–	70%	Clinical Testing Service
康聖環球(武漢)投資管理有限公司 Kindstar (Wuhan) Investment Management Co., Ltd. ("Kindstar Investment")	(c)	PRC/Chinese Mainland 8-Sep-2021	RMB30,000,000	–	100%	Investment holding
武漢康聖貝泰生物科技有限公司 Wuhan Kindstar Biotech Technology Co., Ltd. ("Kindstar Biotech")	(d)	PRC/Chinese Mainland 14-Sep-2021	RMB10,000,000	–	70%	Clinical Testing Service
武漢易檢雲信息技術有限公司 Wuhan Yijianyun Information Technology Co., Ltd. ("Wuhan Yijianyun")	(e)	PRC/Chinese Mainland 8-Oct-2021	RMB5,000,000	–	90%	E-commerce Service
成都溫江康聖友醫互聯網醫院有限公司 Chengdu Wenjiang Kangshengyou Medical Internet Hospital Co., Ltd. ("Wenjiang Kangshengyou")	(f)	PRC/Chinese Mainland 22-Oct-2021	RMB50,000,000	–	100%	Clinical Testing Service
上海信諾佰世醫學檢驗有限公司 Shanghai SinoPath Medical Laboratory Co., Ltd. ("SinoPath")	(g)	PRC/Chinese Mainland 1-Dec-2021	RMB33,000,000	–	80.5%	Clinical Testing Service
武漢海希生物科技有限公司 Wuhan Haixi Biological Technology Co., Ltd. ("Haixi Biological Technology")	(h)	PRC/Chinese Mainland 21-Jan-2022	RMB1,000,000	–	51.1%	Product development and technical services

1. Corporate and Group Information (continued)

Information about subsidiaries (continued)

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

Name	Notes	Date and place of incorporation/ registration and place of operations	Issued ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
武漢海希生命科技有限公司 Wuhan Haixi Life Science Technology Co., Ltd. ("Wuhan Haixi")	(h)	PRC/Chinese Mainland 21-Jan-2022	RMB1,000,000	–	51.1%	Reagent development and sales
武漢鴻蒙賽爾生物科技有限公司 Wuhan HumanCell Biotechnology Co., Ltd. ("HumanCell")	(i)	PRC/Chinese Mainland 6-Apr-2022	RMB10,000,000	–	100%	Car-t Treatment
武漢康聖金岸醫學檢驗有限公司 Wuhan Kindstar Kindan Medical Laboratory Co., Ltd. ("Kindstar Jinan")	(j)	PRC/Chinese Mainland 6-Jun-2022	RMB500,000	–	100%	Clinical Testing Service
武漢康聖啟源醫學檢驗實驗室有限公司 Wuhan Kindstar Qiyuan Medical Laboratory Co., Ltd. ("Wuhan Qiyuan")	(k)	PRC/Chinese Mainland 28-Jun-2022	RMB10,000,000	–	100%	Clinical Testing Service
武漢康聖澤源醫學檢驗實驗室有限公司 Wuhan Kindstar Zeyuan Medical Laboratory Co., Ltd. ("Wuhan Zeyuan")	(k)	PRC/Chinese Mainland 16-Aug-2022	RMB500,000	–	100%	Clinical Testing Service
武漢康聖青合醫學檢驗有限公司 Wuhan Kindstar Qinghe Medical Laboratory Co., Ltd. ("Wuhan Qinghe")	(j)	PRC/Chinese Mainland 19-Aug-2022	RMB500,000	–	100%	Clinical Testing Service
武漢希諾醫學檢驗實驗室有限公司 Wuhan Xinuo Medical Laboratory Co., Ltd. ("Wuhan Xinuo")	(l)	PRC/Chinese Mainland 7-Sep-2022	RMB5,000,000	–	80.5%	Clinical Testing Service

Notes to the Consolidated Financial Statements

31 December 2023

1. Corporate and Group Information (continued)

Information about subsidiaries (continued)

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

Name	Notes	Date and place of incorporation/ registration and place of operations	Issued ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
康聖環球(長沙)醫學科技有限公司 Kindstar Global (Changsha) Medical Technology Co., Ltd. ("Kindstar Changsha")	(m)	PRC/Chinese Mainland 12-Dec-2022	RMB30,000,000	–	100%	Clinical Testing Service
康聖序源生物科技(武漢)有限公司 Kindstar Sequenon Biotechnology (Wuhan) Co., Ltd. ("Kindstar Sequenon")	(n)	PRC/Chinese Mainland 4-Jan-2023	RMB30,000,000	–	80%	Clinical Testing Service
武漢希諾醫學生物科技有限公司 Wuhan Cino Medical Biotechnology Co., Ltd. ("Wuhan Cino")	(o)	PRC/Chinese Mainland 17-Mar-2023	RMB5,000,000	–	80.5%	Clinical Testing Service
廣州南醫康聖生物技術有限公司 Guangzhou SouthMed Kindstar Biotechnology Co., Ltd. ("Guangzhou SouthMed")	(p)	PRC/Chinese Mainland 24-Mar-2023	RMB30,000,000	–	52%	Clinical Testing Service
武漢康聖創業投資管理有限公司 Wuhan Kindstar Venture Capital Management Co., Ltd. ("Kindstar Venture Capital")	(q)	PRC/Chinese Mainland 17-May-2023	RMB10,000,000	–	80.5%	Investment holding
湖南康聖達醫學檢驗實驗室有限公司 Hunan Kindstar Medical Laboratory Co., Ltd. ("Hunan Kindstar")	(r)	PRC/Chinese Mainland 22-May-2023	RMB5,000,000	–	51.25%	Clinical Testing Service
康聖環球(上海)醫學科技有限公司 Kindstar Global (Shanghai) Medical Technology Co., Ltd. ("Kindstar Shanghai")	(s)	PRC/Chinese Mainland 11-Jul-2023	RMB50,000,000	–	100%	Clinical Testing Service

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

1. Corporate and Group Information (continued)

Notes:

- (a) During the year ended 31 December 2021, the Group acquired the 43% interest from the non-controlling interest shareholders of Xinjiang Kindstar, totally with 100% interest.
- (b) On 3 February 2021, Kindstar Zhenyuan was established under the laws of the PRC with a registered capital of RMB10 million.
- (c) On 8 September 2021, Kindstar Investment was established under the laws of the PRC with a registered capital of RMB30 million.
- (d) On 14 September 2021, Kindstar Biotech was established under the laws of the PRC with a registered capital of RMB10 million.
- (e) On 8 October 2021, the Group acquired the 65% interest from the non-controlling interest shareholders of Wuhan Yijianyun, totally with 90% interest.
- (f) On 22 October 2021, Wenjiang Kangshenyou was established under the laws of the PRC with a registered capital of RMB50 million.
- (g) On 1 December 2021, the Group acquired the 80% interest from the non-controlling interest shareholders of Sinopath.
- (h) On 21 January 2022, the Group acquired Wuhan Haixi and Haixi Biological Technology.
- (i) On 6 April 2022, HumanCel was established under the laws of the PRC with a registered capital of RMB10 million.
- (j) On 6 June 2022 and 19 August 2022, Kindstar Jinan and Wuhan Qinghe was established under the laws of the PRC with a registered capital of RMB0.5 million respectively.
- (k) On 28 June 2022 and 16 August 2022, Wuhan Qiyuan and Wuhan Zeyuan was established under the laws of the PRC with a registered capital of RMB10 million and 0.5 million respectively.
- (l) On 7 September 2022, Wuhan Xinuo was established under the laws of the PRC with a registered capital of RMB5 million.
- (m) On 12 December 2022, Kindstar Changsha was established under the laws of the PRC with a registered capital of RMB30 million.
- (n) On 4 January 2023, Kindstar Sequenon was established under the laws of the PRC with a registered capital of RMB30 million.
- (o) On 17 March 2023, Wuhan Cino was established under the laws of the PRC with a registered capital of RMB5 million.
- (p) On 24 March 2023, Guangzhou SouthMed was established under the laws of the PRC with a registered capital of RMB30 million.
- (q) On 17 May 2023, the Group acquired Kindstar Venture Capital. Further details of the acquisition are included in note 35 to the Consolidated Financial Statements.
- (r) On 22 May 2023, Hunan Kindstar was established under the laws of the PRC with a registered capital of RMB5 million.
- (s) On 11 July 2023, Kindstar Shanghai was established under the laws of the PRC with a registered capital of RMB50 million.

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2.1 Basis of Preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

2.1 Basis of Preparation (continued)

Basis of consolidation (continued)

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

2.2 Changes in Accounting Policies and Disclosures

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

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

The new or amended IFRSs that are effective from 1 January 2023 did not have any significant impact on the Group's accounting policies. The nature and the impact of the new and revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 Making Materiality Judgements provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

Notes to the Consolidated Financial Statements

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2.2 Changes in Accounting Policies and Disclosures (continued)

- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

- (c) Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under IAS 12.

- (d) Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has not yet applied the temporary exception during the current year because the entities comprising the Group are operating in jurisdictions in which the Pillar Two tax law has not yet been enacted or substantively enacted. The Group will disclose known or reasonably estimable information related to its exposure to Pillar Two income taxes in the consolidated financial statements by the time when the Pillar Two tax law has been enacted or substantively enacted and will disclose separately the current tax expense or income related to Pillar Two income taxes when it is in effect.

2.3 Issued but not yet Effective IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Consolidated financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ¹
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> ^{1, 4}
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> ¹
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i> ¹
Amendments to IAS 21	<i>Lack of Exchangeability</i> ²

¹ Effective for annual periods beginning on or after 1 January 2024.

² Effective for annual periods beginning on or after 1 January 2025.

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

⁴ As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion.

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

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2.4 Material Accounting Policies

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other case, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is held by, or is held indirectly through, venture capital organisation or similar entities of the Group, the Group may irrevocably elect to measure that investment at fair value through profit or loss in accordance with IFRS 9 and presented as financial assets at FVTPL. Such election is made separately for initial recognition of each associate or joint venture.

When an investment in associates is classified as held for sale, it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

2.4 Material Accounting Policies (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Notes to the Consolidated Financial Statements

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2.4 Material Accounting Policies (continued)

Business combinations and goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures certain financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.4 Material Accounting Policies (continued)

Fair value measurement (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

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2.4 Material Accounting Policies (continued)

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personal services to the Group or to the parent of the Group.

2.4 Material Accounting Policies (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.41%
Laboratory equipment	9.50%-31.68%
Other equipment	9.50%-31.68%
Transportation equipment	19.00%
Leasehold improvements	10.00%-33.33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated, is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

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2.4 Material Accounting Policies (continued)

Other intangible assets (other than goodwill)

Other intangible assets acquired separately are measured on initial recognition at cost. The cost of other intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of other intangible assets are assessed to be either finite or indefinite. Other intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the other intangible assets may be impaired. The amortisation period and the amortisation method for other intangible assets with a finite useful life are reviewed at least at each financial year end.

Other intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such other intangible assets are not amortised. The useful life of other intangible assets with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Computer software

Acquired and self-developed software is stated at historical cost less amortisation. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software, and is amortised on a straight-line basis over the useful life of 2 to 5 years.

The estimated useful life of other intangible assets is determined by considering the period of the economic benefits to the Group or the periods of validity of intangible assets protected by the relevant laws, as well as by referring to the industry practice.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the Group's ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding 5 years from the date when the products are put into commercial production.

2.4 Material Accounting Policies (continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

(a) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Properties	2 to 10 years
Equipment	3 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Notes to the Consolidated Financial Statements

31 December 2023

2.4 Material Accounting Policies (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

2.4 Material Accounting Policies (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at FVTPL.

Purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

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31 December 2023

2.4 Material Accounting Policies (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

Financial assets at fair value through profit or loss (continued)

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVTPL. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVTPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVTPL.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 Material Accounting Policies (continued)

Impairment of financial assets

The Group recognises an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

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2.4 Material Accounting Policies (continued)

Impairment of financial assets (continued)

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, interest-bearing bank borrowings, amounts due to related parties and lease liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities designated upon initial recognition as at FVTPL are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at FVTPL are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

2.4 Material Accounting Policies (continued)

Financial liabilities (continued)

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as warrants. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

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2.4 Material Accounting Policies (continued)

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

2.4 Material Accounting Policies (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

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2.4 Material Accounting Policies (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

Clinical testing service

The Group earns revenue by providing specialised diagnostic testing to hospitals or individual patient customers based on a written test requisition form. The services period of each specialised diagnostic testing is generally within two to seven business days.

Revenue from specialised diagnostic testing is recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the testing report.

Testing services for R&D projects and others

The Group generally enters into contracts with CROs, sponsors of clinical trials, pharmaceutical and medical device companies and research institutes to provide research and clinical trial services ranging in duration from one month to several years.

Revenue from testing services for R&D projects and others is recognised overtime when the Group has an enforceable right to payment for performance completed to date. The progress of research services is measured based on outputs to the satisfaction of related performance obligation of research services (output method). In an output method, revenue is determined by multiplying that percentage of the actual units of output achieved by the total contract value.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Other income from the sale of reagents relating to COVID-19 is recognised at the point in time when control of the asset is transferred to the customer, generally on acceptance of the reagents by the customer.

Consulting service income is recognised at the point in time when the service for the transaction is completed under the terms of each contract.

Contract liabilities

A contract liability is recognised when a payment is received, or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.4 Material Accounting Policies (continued)

Share-based payments

The Company operates share award scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (“equity-settled transactions”).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is computed based on their most recent post-money valuations.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Other employee benefits

Pension scheme

The employees of the Group’s subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The government undertakes to assume the responsibility for paying pension benefits to all existing and future retired employees according to the scheme, while the Group did not further assume the post-employment benefit responsibility beyond the contributions. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. The Group’s contributions to the defined contribution scheme for its employees are fully and immediately vested at the time of contribution, and accordingly, (i) for each of the two years ended December 31, 2023, there was no forfeiture of contributions under the scheme; and (ii) there were no forfeited contributions available for the Company to reduce its existing level of contributions to such scheme as at December 31, 2023.

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities in various areas other than Mainland China. The Group’s liability in respect of these plans is limited to the contributions payable at the end of each period. Contributions to these plans are expensed as incurred.

Housing fund – Mainland China

The Group contributes on a monthly basis to a defined contribution housing fund plan operated by the local municipal government. Contributions to this plan by the Group are expensed as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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2.4 Material Accounting Policies (continued)

Foreign currencies

The Consolidated financial statements is presented in RMB, which is different from the Company's functional currency, United States dollar ("US\$"). As the major revenues and assets of the Group are derived from operations in Mainland China, RMB is chosen as the presentation currency to present the Consolidated financial statements. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of each reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year or period.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Provision for expected credit losses of trade and bills receivables

Trade receivables with significant balances are assessed for ECL individually. In addition, the Group uses provision matrix to calculate ECL for trade receivables which are individually insignificant. The Group uses a provision matrix to calculate ECLs for trade and bills receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns such like ageing, historical denial and past collection experience. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade and bills receivables is disclosed in notes 21 to the Consolidated financial statements, respectively.

Fair value measurements of contingent consideration

Certain of the Group's financial liabilities are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments.

Fair value of unlisted fund investments

The unlisted fund investments have been valued based on techniques of market approach, cost method, recent trading price method as detailed in note 40 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted fund investments at 31 December 2023 was RMB280,482,000 (2022: RMB216,764,000).

Should any of the estimates and assumptions changed, it may lead to a material change in the respective fair value of these financial assets.

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4. Operating Segment Information

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

- (a) Hematology testing segment includes testing services related to blood diseases.
- (b) Genetic diseases and rare diseases segment includes testing services from the rare disease.
- (c) Infectious diseases segment includes testing services from the infection department.
- (d) Oncology segment includes testing related to oncology diseases.
- (e) Neurology segment includes testing services related to neurological diseases undertaken by the Group.
- (f) Maternity-related diseases segment includes testing services related to maternity.
- (g) COVID-19 related testing segment includes testing services related to COVID-19.
- (h) Routine testing segment conducts routine tests for the doctors' daily diagnoses.
- (i) CROs and R&D project segment includes research and develop services.
- (j) The "others" segment provides 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 and finance costs are excluded from such measurement. No analysis of segment assets and liabilities is presented as management does not regularly review such information for the purposes of resource allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

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4. Operating Segment Information (continued)

For the year ended 31 December 2023

Segments	Hematology	Genetic diseases and rare diseases	Infectious diseases	Oncology	Neurology	Maternity-related diseases	COVID-19 related testing	Routine testing	CRO and R&D projects	Others	Total
	Testing	diseases	diseases	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue											
Sales to external customers	590,308	46,715	49,001	32,064	96,603	55,418	-	57,473	26,393	13,285	967,260
Segment results	107,761	4,664	5,484	6,053	16,972	1,303	-	592	3,031	(2,512)	143,348
Reconciliation:											
Other income and gains											138,094
Administrative expenses											(105,626)
Research and development costs											(105,337)
Other expenses											(19,123)
Finance costs											(8,034)
Group's profit before tax											43,322

For the year ended 31 December 2022

Segments	Hematology	Genetic diseases and rare diseases	Infectious diseases	Oncology	Neurology	Maternity-related diseases	COVID-19 related testing	Routine testing	CRO and R&D projects	Others	Total
	Testing	diseases	diseases	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue											
Sales to external customers	525,800	42,778	47,693	17,872	95,350	49,961	536,625	57,439	7,937	5,136	1,386,591
Segment results	157,282	6,229	9,720	1,406	17,064	3,106	44,767	2,644	937	(662)	242,493
Reconciliation:											
Other income and gains											68,870
Administrative expenses											(80,406)
Research and development costs											(101,226)
Other expenses											(43,898)
Finance costs											(2,517)
Group's profit before tax											83,316

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4. Operating Segment Information (continued)

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.

5. Revenue

An analysis of revenue is as follows:

Revenue from contracts with customers

(i) Disaggregated revenue information

	2023 RMB'000	2022 RMB'000
Types of services		
Clinical testing service – at a point in time	940,867	1,376,651
Testing services for R&D projects and others – over time	26,393	9,940
Total revenue from contracts with customers	967,260	1,386,591

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

	2023 RMB'000	2022 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of year:		
Clinical Testing Service	5,520	755
Testing services for R&D projects and others	1,109	950
	6,629	1,705

5. Revenue (continued)

Revenue from contracts with customers (continued)

(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.

6. Other Income and Gains

	2023 RMB'000	2022 RMB'000
Other income and gains		
Bank interest income	80,122	50,328
Government grants related to		
– Assets*	521	671
– Income**	26,605	9,022
Fair value gains on unlisted funds	15,765	733
Fair value losses on unlisted funds	–	(8,734)
Interest income from wealth management assets	2,712	977
Fair value losses on wealth management assets	(1,197)	(174)
Gain on acquisition of a subsidiary	–	1,626
Fair value gains on contingent consideration	5,140	3,965
Share of (losses)/profits of associates	(570)	2,445
Equipments rental income	3,018	
Others	5,978	8,011
	138,094	68,870

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6. Other Income and Gains (continued)

* The Group has received certain government grants related to assets to invest in laboratory equipment. The grants related to assets were recognised in profit or loss over the useful lives of the relevant assets.

** The government grants and subsidies related to income have been received to compensate for the Group's costs. Certain of the grants related to income have future related costs expected to be incurred and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. These grants related to income are recognised in profit or loss on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Other government grants related to income that are received as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs recognised in profit or loss in the period in which they become receivable. There are no unfulfilled conditions or contingencies relating to these government grants.

7. Other Expenses

	2023 RMB'000	2022 RMB'000
Other expense		
Impairment losses, net of reversal		
– Inventories	1,081	4,228
– Financial assets under ECL model	1,238	25,656
– Goodwill	942	–
– Property, plant and equipment	–	13,314
Bank charges	1,610	1,576
Foreign exchange losses/(gains), net	1,587	(3,354)
Losses on disposal of property, plant and equipment and other intangible assets	221	271
Depreciation of rental equipments	1,982	–
Others	10,462	2,207
	19,123	43,898

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8. Profit Before Tax

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

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Cost of services provided		516,131	783,536
Depreciation of property, plant and equipment	15	48,691	46,660
Depreciation of right-of-use assets	31	20,669	13,235
Amortisation of other intangible assets	16	5,665	4,993
Research and development costs		105,337	101,226
Auditor's remuneration		4,056	3,350
Salaries and other benefits		315,004	313,323
Less: Amount capitalised		–	–
		315,004	313,323
Pension scheme contributions, social welfare and other welfare		44,952	38,717
Less: Amount capitalised		–	–
		44,952	38,717
Lease payments not included in the measurement of lease liabilities	31(c)	2,190	9,153
Bank interest (income)/losses	6	(80,122)	50,328
Finance costs	9	8,034	2,517
Foreign exchange losses/(gains), net	7	1,587	(3,354)
Interest income from wealth management assets	6	2,712	977
Share of losses/(profits) of associates	6	570	(2,445)
Fair value changes on financial assets at FVTPL	6	16,962	(8,175)
Gain on acquisition of a subsidiary	6	–	1,626
Fair value gains on contingent consideration	6	5,140	3,965
Losses on disposal of items of property, plant and equipment and other intangible assets	7	221	271
Impairment losses on financial assets under ECL model	7	1,238	25,656
Write-down of inventories to net realisable value	7	1,081	4,228
Impairment of property, plant and equipment and other intangible assets	15	–	13,314
Impairment of goodwill	18	942	–

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9. Finance Costs

An analysis of finance costs is as follows:

	2023 RMB'000	2022 RMB'000
Interest expenses on:		
Bank borrowings and other loans	6,129	1,666
Lease liabilities	1,905	851
	8,034	2,517

10. Directors' and Chief Executive's Remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023 RMB'000	2022 RMB'000
Other emoluments:		
Salaries, allowances and benefits in kind	2,863	2,786
Performance related bonuses	76	278
	2,939	3,064

10. Directors' and Chief Executive's Remuneration (continued)

The directors' and chief executive's remuneration for the reporting periods is set out below:

	Salaries, allowances and benefits in kind <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Performance Related bonuses <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
For the year ended 31 December 2023				
Chief Executive Officer and executive director:				
Mr. Huang Shi-ang (<i>Note (a)</i>)	736	-	72	808
Executive directors:				
Mr. Tu Zanbing (<i>Note (b)</i>)	676	82	4	762
Ms. Chai Haijie (<i>Note (c)</i>)	600	89	-	689
Non-executive directors:				
Mr. Peng Wei (<i>Note (d)</i>)	120	-	-	120
Ms. Huang Lu (<i>Note (e)</i>)	120	-	-	120
Mr. Huang Zuie-Chin (<i>Note (f)</i>)	-	-	-	-
Independent non-executive directors:				
Mr. Xia Xiping (<i>Note (i)</i>)	160	-	-	160
Mr. Gu Huaming (<i>Note (g)</i>)	150	-	-	150
Mr. Yao Shanglong (<i>Note (h)</i>)	130	-	-	130
	2,692	171	76	2,939

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10. Directors' and Chief Executive's Remuneration (continued)

	Salaries, allowances and benefits in kind <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Performance Related bonuses <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
For the year ended				
31 December 2022				
Chief Executive Officer and executive director:				
Mr. Huang Shi-ang (<i>Note (a)</i>)	733	–	148	881
				–
Executive directors:				
Mr. Tu Zanbing (<i>Note (b)</i>)	725	77	90	892
Ms. Chai Haijie (<i>Note (c)</i>)	480	91	40	611
Non-executive directors:				
Mr. Peng Wei (<i>Note (d)</i>)	120	–	–	120
Ms. Huang Lu (<i>Note (e)</i>)	120	–	–	120
Mr. Huang Zuie-Chin (<i>Note (f)</i>)	–	–	–	–
Independent non-executive directors:				
Mr. Xia Xinping (<i>Note (i)</i>)	160	–	–	160
Mr. Gu Huaming (<i>Note (g)</i>)	150	–	–	150
Mr. Yao Shanglong (<i>Note (h)</i>)	130	–	–	130
	2,618	168	278	3,064

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

10. Directors' and Chief Executive's Remuneration (continued)

Notes:

- (a) *Mr. Huang Shi-ang was appointed as a director of the Company with effect from 22 February 2011. Mr. Huang Shi-ang is also the chief executive officer of the Company and his remuneration disclosed above included the services rendered by him as the chief executive.*
- (b) *Mr. Tu Zanbing was appointed as a director and the chief operating officer of the Company with effect from 4 December 2020.*
- (c) *Ms. Chai Haijie as appointed as a director and the chief financial officer of the Company with effect from 4 December 2020.*
- (d) *Mr. Peng Wei was appointed as a director of the Company with effect from 27 October 2020 and was reappointed as a non-executive director of the Company with effect from 8 February 2021.*
- (e) *Ms. Huang Lu was appointed as a director of the Company with effect from 9 September 2020 and was reappointed as a non-executive director of the Company with effect from 8 February 2021.*
- (f) *Mr. Huang Zuie-Chin was appointed as a director of the Company with effect from 30 January 2012 and was reappointed as a non-executive director of the Company with effect from 8 February 2021.*
- (g) *Mr. Gu Huaming was appointed as an independent non-executive director of the Company with effect from 29 June 2021.*
- (h) *Mr. Yao Shanglong was appointed as an independent non-executive director of the Company with effect from 29 June 2021.*
- (i) *Mr. Xia Xinping was appointed as an independent non-executive director of the Company with effect from 29 June 2021.*

There was no arrangement under which a director waived or agreed to waive any remuneration during the reporting periods.

During the reporting periods, no remuneration was paid by the Group to any Director as an inducement to join or upon joining the Group or as compensation for the loss of office as a Director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

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11. Five Highest Paid Employees

The five highest paid employees of the Group were neither a director nor chief executive of the Company during the reporting periods. Details of the remuneration of the five highest paid employees are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	2,495	1,464
Performance related bonuses	1,906	5,046
Pension scheme contributions	362	424
	4,763	6,934

The number of the five highest paid employees whose remuneration fell within the following bands is as follows:

	2023 RMB'000	2022 RMB'000
HKD500,001 to HKD1,000,000	4	–
HKD1,000,001 to HKD1,500,000	1	2
HKD1,500,001 to HKD2,000,000	–	3
	5	5

During the reporting periods, no highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

12. Income Tax

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

Cayman Islands

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

Singapore

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

Hong Kong

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

Mainland China

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

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

(1) In 2016, Wuhan Kindstar was accredited as a "High and New Technology Enterprise" ("HNTE") for a period of three years from 2016 to November 2018. Wuhan Kindstar subsequently renewed its HNTE qualification in 2019, and is entitled to a preferential CIT rate of 15% from 2019 to 2022 and from 2022 to 2025 respectively. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

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12. Income Tax (continued)

Mainland China (continued)

- (2) In 2014, Beijing Hightrust was accredited as a HNTE for a period of three years from 2014 to 2016. Beijing Hightrust subsequently renewed its HNTE qualification in 2017 and 2020, and was entitled to a preferential CIT rate of 15% from 2017 to 2019, 2020 to 2022 and 2023 to 2026 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 and 2022 to 2024. This qualification is subject to review by the relevant tax authority in the PRC for every three years.
- (4) Under the policies for the Grand Western Development Program, the Group's subsidiaries incorporated in Western China (Xinjiang Kindstar, Huaxi Kindstar, Wenjiang Kangshenyou and Chengdu Shengyuan) were subject to corporate tax at 15% in the year 2022. The rate applied to companies located in Western China which engaged in the encouraged industries listed in the Grand Western Development Program. This policies shall be effective during 2019 to 2031.
- (5) Wenjiang Kangshenyou is qualified as small-scaled minimal profit enterprises. Pursuant to Caishui [2019] circular No.13, the first RMB1,000,000 of assessable profits of these subsidiaries may be calculated as 25% and be taxed at the preferential CIT rate of 20%. The assessable profits between RMB1,000,000 and RMB3,000,000 may be calculated as 50% and be taxed at the preferential CIT rate of 20%. The policy shall be effective during 2019 to 2031.
- (6) SinoPath was accredited as a HNTE in 2022 and therefore SinoPath was entitled to a preferential CIT rate of 15% from Year 2022 to 2024. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

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

	2023 RMB'000	2022 RMB'000
Current income tax	5,162	6,497
Under/(over) provision in prior years	3,670	(1,482)
Deferred income tax	(1,957)	817
Total tax charge for the year	6,875	5,832

12. Income Tax (continued)

Mainland China (continued)

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

	2023 RMB'000	2022 RMB'000
Profit before tax	43,322	83,316
Tax at the statutory tax rate (25%)	10,830	20,829
Lower tax rates for specific provinces or enacted by local authority	(16,026)	(1,807)
Adjustments in respect of current tax of previous periods	3,670	(1,482)
Income not subject to tax	(668)	(114)
Expenses not deductible for tax	9,126	5,030
Tax losses not recognised	20,820	–
Additional deductible allowance for qualified research and development costs	(20,877)	(16,624)
Tax charge at the Group's effective rate	6,875	5,832

The Group has accumulated tax losses of RMB28,115,000 arising in Mainland China as at 31 December 2023 (2022: RMB77,611,000) that will expire in one to ten years for offsetting against future taxable profits of the subsidiaries in which the losses arose. Deferred tax assets in respect of RMB12,084,000 accumulated tax losses (2022: Nil) of certain subsidiaries have not been recognised as these subsidiaries are not considered probable that taxable profits will be available against which the accumulated tax losses can be utilised as at 31 December 2023.

13. Dividends

Final dividend of HK\$0.0284 per share was proposed by the Board for the year ended 31 December 2023. The proposed final dividend is subject to the approval of the Company shareholders at the forthcoming annual general meeting.

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14. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earning per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 957,994,542 (2022: 795,375,405) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the exercise of certain batch of share options. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year ended 31 December 2023, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of basic earnings per share is based on:

	2023 RMB'000	2022 RMB'000
Profit		
Profit attributable to ordinary equity holders of the parent (RMB'000)	41,286	75,457
Ordinary shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	957,994,542	795,375,405
Effect of dilutive potential ordinary shares:		
Share options	12,761,543	22,587,843
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	970,756,085	817,963,248
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
– Basic (RMB)	4.31 cent	9.49 cent
– Dilute	4.25 cent	9.22 cent

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15. Property, Plant and Equipment

	Buildings <i>RMB'000</i>	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>
At 1 January 2023							
Cost	232,154	254,046	6,551	36,585	114,655	5,096	649,087
Accumulated depreciation	(5,931)	(177,131)	(3,922)	(22,398)	(60,987)	-	(270,369)
Net carrying amount	226,223	76,915	2,629	14,187	53,668	5,096	378,718
At 1 January 2023, net of accumulated depreciation							
At 1 January 2023, net of accumulated depreciation	226,223	76,915	2,629	14,187	53,668	5,096	378,718
Additions	-	66,131	352	6,572	6,312	38,722	118,089
Transfer	805	-	-	-	10,215	(11,020)	-
Disposals	-	(10,110)	(246)	(727)	-	-	(11,083)
Depreciation provided during the year	(5,310)	(23,322)	(507)	(4,727)	(14,825)	-	(48,691)
At 31 December 2023, net of accumulated depreciation							
At 31 December 2023, net of accumulated depreciation	221,718	109,614	2,228	15,305	55,370	32,798	437,033
At 31 December 2023:							
Cost	232,959	310,068	6,657	42,430	131,182	32,798	756,094
Accumulated depreciation	(11,241)	(200,454)	(4,429)	(27,125)	(75,812)	-	(319,061)
Net carrying amount	221,718	109,614	2,228	15,305	55,370	32,798	437,033

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15. Property, Plant and Equipment (continued)

	Buildings <i>RMB'000</i>	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>
At 1 January 2022							
Cost	219,996	212,922	5,738	32,676	93,901	4,824	570,057
Accumulated depreciation	(827)	(142,673)	(3,724)	(18,497)	(49,434)	-	(215,155)
Net carrying amount	219,169	70,249	2,014	14,179	44,467	4,824	354,902
At 1 January 2022, net of accumulated depreciation							
	219,169	70,249	2,014	14,179	44,467	4,824	354,902
Additions	12,158	54,191	1,259	5,344	15,828	5,164	93,944
Transfer	-	-	-	-	4,531	(4,531)	-
Disposals	-	(9,784)	(22)	(310)	-	(361)	(10,477)
Impairment	-	(13,314)	-	-	-	-	(13,314)
Acquisition of a subsidiary <i>(note 35)</i>	-	39	-	24	260	-	323
Depreciation provided during the year	(5,104)	(24,466)	(622)	(5,050)	(11,418)	-	(46,660)
At 31 December 2022, net of accumulated depreciation							
	226,223	76,915	2,629	14,187	53,668	5,096	378,718
At 31 December 2022:							
Cost	232,154	254,046	6,551	36,585	114,655	5,096	649,087
Accumulated depreciation	(5,931)	(177,131)	(3,922)	(22,398)	(60,987)	-	(270,369)
Net carrying amount	226,223	76,915	2,629	14,187	53,668	5,096	378,718

16. Other Intangible Assets

	License <i>RMB'000</i>	Software <i>RMB'000</i>	Development costs <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2023				
Cost at 1 January 2023, net of accumulated amortisation	14,666	16,458	1,617	32,741
Additions – internal development	–	–	–	–
Acquisition of subsidiaries	–	–	–	–
Additions – acquired	–	2,239	3,873	6,112
Disposal	–	–	(1,853)	(1,853)
Transfer	–	695	(695)	–
Amortisation provided during the year	(1,638)	(4,027)	–	(5,665)
At 31 December 2023	13,028	15,365	2,942	31,335
At 31 December 2023:				
Cost	16,378	32,821	5,490	54,689
Accumulated amortisation	(3,350)	(17,456)	(2,548)	(23,354)
Net carrying amount	13,028	15,365	2,942	31,335

	License <i>RMB'000</i>	Software <i>RMB'000</i>	Development costs <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2022				
Cost at 1 January 2022, net of accumulated amortisation	8,804	12,531	4,267	25,602
Additions – internal development	–	–	–	–
Acquisition of subsidiaries	7,500	–	–	7,500
Additions – acquired	–	2,003	2,640	4,643
Disposal	–	(11)	–	(11)
Transfer	–	5,290	(5,290)	–
Amortisation provided during the year	(1,638)	(3,355)	–	(4,993)
At 31 December 2022	14,666	16,458	1,617	32,741
At 31 December 2022:				
Cost	16,378	29,887	1,617	47,882
Accumulated amortisation	(1,712)	(13,429)	–	(15,141)
Net carrying amount	14,666	16,458	1,617	32,741

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17. Investments in Associates

	2023 RMB'000	2022 RMB'000
Share of net assets	5,950	6,520

Particulars of the associates are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group At 31 December		Principal activity
			2023	2022	
武漢德谷醫學檢驗實驗室有限公司 Wuhan Degu Medical Laboratory Co., Ltd. ("Wuhan Degu")	Ordinary shares	PRC	25%	25%	Clinical Testing Service
武漢蒲雲醫學檢驗實驗室有限公司 Wuhan Puyun Medical Laboratory Co., Ltd. ("Wuhan Puyun")	Ordinary shares	PRC	25%	25%	Clinical Testing Service

Note:

The Group's investments in Wuhan Degu and Wuhan Puyun Medical Laboratory Co., Ltd. are accounted for under the equity method during the reporting periods.

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17. Investments in Associates (continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2023 RMB'000	2022 RMB'000
Share of the associates' (loss)/profit for the year	(570)	2,445
Carrying amount of the Group's investments in the associates	5,950	6,520

18. Goodwill

	HK\$'000
At 1 January 2022:	
Cost	18,414
Accumulated impairment	(16,224)
Net carrying amount	2,190
Cost at 1 January 2022, net of accumulated impairment	2,190
Acquisition of subsidiaries	8,249
Impairment during the year	–
At 31 December 2022	10,439
At 31 December 2022:	
Cost	26,663
Accumulated impairment	(16,224)
Net carrying amount	10,439
Cost at 1 January 2023, net of accumulated impairment	10,439
Acquisition of a subsidiary	–
Impairment during the year	(942)
Cost and net carrying amount at 31 December 2023	9,497
At 31 December 2023:	
Cost	26,663
Accumulated impairment	(17,166)
Net carrying amount	9,497

The goodwill comprises the fair value of expected business synergies arising from the acquisitions, which is not separately recognised.

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18. Goodwill (continued)

Goodwill of RMB920,000, RMB942,000, RMB328,000 and RMB8,249,000 are resulted from the acquisition of Chengdu Shengyuan in January 2020, Tianjin Kindstar in September 2020, Wuhan Yijianyun in October 2021 and Wuhan Haixi in January 2022 to further expand the Group's market share of clinical testing services in the PRC.

Chengdu Wenjiang Kangshengyou Medical Internet Hospital Co., Ltd. 成都温江康圣友互联网医院有限公司 ("Wenjiang Kangshenyou"), a wholly-owned subsidiary of the Company and parent company of Wuhan Yijianyun, mainly engaged in providing online hospital services, where patients can purchase drugs and consult doctors on the platform. Wuhan Yijianyun mainly provides digital solution and IT technical support activities for Wenjiang Kangshengyou. Wuhan Yijianyun and Wenjiang Kangshengyou are therefore considered as one CGU ("Wenjiang Kangshengyou CGU") for the purpose of impairment testing of goodwill.

Impairment testing of goodwill

The amounts of goodwill allocated to these CGUs are as follows:

	2023 RMB'000	2022 RMB'000
Chengdu Shengyuan	920	920
Tianjin Kindstar	942	942
Wenjiang Kangshengyou	328	328
Wuhan Haixi	8,249	8,249
	10,439	10,439

Goodwill is tested by management for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of the CGUs has been determined based on a value in use ("VIU") calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. The pre-tax discount rates applied to the cash flow projections is 20% (2022: 20%). The revenue growth rate used to determine the cash flows during the five-year period ranged from 6% to 55% (2022:9% to 46%). The terminal growth rate used to extrapolate the cash flows beyond the period is 2% (2022: 2%). Such estimation is based on management's expectations for the market development.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill for Chengdu Shengyuan CGU, Tianjin Kindstar CGU, Wuhan YiJianyun&Wenjiang Kangshenyou CGU and Wuhan Haixi as at 31 December 2023.

Revenue – The basis used to determine the budgeted revenue is based on the management's expectation of market development.

Terminal Growth rate – The forecasted terminal growth rate is based on management's expectations and does not exceed the long-term average growth rate for the industry relevant to the CGUs.

The pre-tax discount rate used is before tax and reflects specific risks relating to the CGUs.

According to the results of impairment testing, the Group recognized goodwill impairment loss of RMB942,000 with respect to Tianjin Kindstar CGU as at 31 December 2023.

18. Goodwill (continued)

Impairment testing of goodwill (continued)

Sensitivity to changes in key assumptions:

In relation to CGUs for which no impairment was recognized, the management of the Company has performed sensitivity test by decreasing 1% of expected revenue, decreasing 1% of terminal growth rate or increasing 1% of pre-tax discount rate, with all other assumptions held constant. The impacts on the amount by which each CGU's recoverable amount above its carrying amount (headroom) are as below:

	Chengdu Shengyuan CGU RMB'000	Tianjin Kindstar CGU RMB'000	Wenjiang Kangshen you CGU RMB'000	Wuhan haixi CGU RMB'000
At 31 December 2023				
Headroom	10,388	Not applicable	611	3,023
Impact by decreasing expected revenue	(125)	Not applicable	(50)	(670)
Impact by decreasing terminal growth rate	(407)	Not applicable	(240)	(1,635)
Impact by increasing pre-tax discount rate	(1,499)	Not applicable	(450)	(1,468)

	Chengdu Shengyuan CGU RMB'000	Tianjin Kindstar CGU RMB'000	Wenjiang Kangshen you CGU RMB'000	Wuhan Haixi CGU RMB'000
At 31 December 2022				
Headroom	14,007	800	456	3,156
Impact by decreasing expected revenue	(5,866)	(797)	(339)	(1,813)
Impact by decreasing terminal growth rate	(526)	(231)	(221)	(1,653)
Impact by increasing pre-tax discount rate	(1,680)	(437)	(437)	(3,012)

Except for these, any reasonable possible changes in the other assumptions used in the value in use calculation would not affect management's view on impairment as at the end of each reporting period.

The values assigned to the key assumptions on discount rate and growth rate are consistent with external information sources.

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19. Financial Assets at FVTPL

	2023 RMB'000	2022 RMB'000
Current portion		
Wealth management products**	–	49,197
Financial assets at FVTPL-current	–	49,197
Investment in unlisted funds – non current *	280,482	216,764
Financial assets at FVTPL in total	280,482	216,764

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

** During the reporting periods, the Group used surplus capital of onshore subsidiaries to purchase structured deposits and money market funds mainly from domestic commercial banks which preserved capital and liquidity. The expected rates of return ranged from 3.35% to 3.5% per annum.

All wealth management products have been redeemed, resulting RMB2,712,000 gains during 2023 (2022: loss RMB174,000). The returns on all of these financial products are not guaranteed. Those wealth management products are accounted as for financial assets at fair value through profit or loss.

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20. Inventories

	2023 RMB'000	2022 RMB'000
Raw materials and consumables	44,170	54,557
Work in progress	4,531	4,128
	48,701	58,685

21. Trade and Bills Receivables

	2023 RMB'000	2022 RMB'000
Trade receivables	627,476	696,118
Bills receivable	354	1,125
	627,830	697,243
Allowance for expected credit losses	(61,269)	(63,390)
	566,561	633,853

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.

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21. Trade and Bills Receivables (continued)

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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 year	210,202	495,247
1 year to 2 years	278,199	74,241
2 years to 3 years	31,306	38,931
3 years to 4 years	24,826	20,688
4 years to 5 years	17,590	4,379
Over 5 years	4,438	367
	566,561	633,853

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
At beginning of year	63,390	37,734
Impairment losses, net	1,238	25,656
Amount written off as uncollectible	(3,359)	–
At end of year	61,269	63,390

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

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21. Trade and Bills Receivables (continued)

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

2023			
	Amount <i>RMB'000</i>	Expected loss rate %	Impairment <i>RMB'000</i>
Individually assessed:	36,476	45.62	16,641
Measured by provision matrix:			
Within 1 year	213,558	1.74	3,711
1 year to 2 years	284,467	3.73	10,615
2 years to 3 years	32,416	19.44	6,301
3 years to 4 years	30,442	30.43	9,265
4 years to 5 years	19,306	38.43	7,420
Over 5 years	10,811	67.67	7,316
	627,476		61,269
2022			
	Amount <i>RMB'000</i>	Expected loss rate %	Impairment <i>RMB'000</i>
Individually assessed:	37,206	50.06	18,626
Measured by provision matrix:			
Within 1 year	501,504	2.27	11,388
1 year to 2 years	76,705	9.45	7,249
2 years to 3 years	44,678	20.65	9,216
3 years to 4 years	22,809	33.08	7,545
4 years to 5 years	7,658	53.50	4,097
Over 5 years	5,558	94.80	5,269
	696,118		63,390

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22. Prepayments, Deposits and Other Receivables

	2023 RMB'000	2022 RMB'000
Deposits and other receivables (current)	33,082	31,448
Prepayments (current)	8,422	11,052
Value-added tax recoverable		
– current	1,457	3,753
– non-current*	5,194	954
Prepaid expenses (current)	1,871	1,881
	50,026	49,088
Analysed into:		
Current portion	44,832	48,134
Non-current portion	5,194	954
	50,026	49,088

The balances are not secured by collateral.

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

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

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

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23. Cash and Cash Equivalents and Pledged Deposits

	2023 RMB'000	2022 RMB'000
Cash and bank balances	1,356,732	671,952
Time deposits	125,823	14,000
	1,482,555	685,952
Less:		
Pledged deposits (<i>note</i>)	9,756	5,593
Cash and cash equivalents	1,472,799	680,359

Note:

It represents pledged deposits in commercial banks to secure bills payable. None of these deposits are either past due or impaired. The pledged bank deposits will be released upon the repayment of relevant bills payable.

The RMB is not freely convertible into other currencies, however, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and three years depending on the immediate cash requirements of the Group and earn interest at the respective time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

Notes to the Consolidated Financial Statements

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24. Time Deposits

	2023 RMB'000	2022 RMB'000
Time deposits – current (more than 3 months)	552,450	1,271,836
Time deposits – non-current (more than 1 year)	10,000	225,000
	562,450	1,496,836

Non-current time deposits represent deposits over one year. As at 31 December 2023, RMB10,000,000 of non-current time deposit carried fixed interest rate of 3.38% per annum with maturity of July 2025.

Current time deposits represent deposits over 3 months but less than one year. As at 31 December 2023, RMB552,450,000 of non-current time deposits carried fixed interest rates ranging from 2.00% to 5.43% per annum.

25. Trade and Bills Payables

	2023 RMB'000	2022 RMB'000
Bills payable	13,150	12,937
Trade payables	208,590	286,576
	221,740	299,513

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:

	2023 RMB'000	2022 RMB'000
Within 1 year	163,476	272,782
1 year to 2 years	52,277	16,440
Over 2 years	5,987	10,291
	221,740	299,513

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

Notes to the Consolidated Financial Statements

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26. Other Payables and Accruals

	31 December 2023 RMB'000	31 December 2022 RMB'000
Other payables*	36,573	44,482
Accruals	136,056	147,851
Payroll payable	141,056	128,022
	313,685	320,355

* 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.

27. Contract Liabilities

The Group recognised the following revenue-related contract liabilities:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Testing services for R&D projects and others	7,970	4,909
Clinical Testing Service	3,954	6,884
	11,924	11,793

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

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28. Interest-Bearing Bank Borrowings

	As at 31 December 2023		
	Effective interest rate per annum %	Maturity	RMB'000
Current Bank borrowings – credit	2.75-3	2024	152,900

Analysed into:

	2023 RMB'000	2022 RMB'000
Bank borrowings repayable:		
Within one year	152,900	180,000

In November 2023, Wuhan Kindstar, a subsidiary of the Company, entered into a one-year credit loan agreement of RMB142,900,000 with Wuhan Branch of China Merchants Bank. In December 2023, Kindstar Zhenyuan, another subsidiary of the company, entered into a one-year credit loan agreement of RMB10,000,000 with Wuhan Bio-City Branch of China Merchants Bank.

29. Deferred Income

	2023 RMB'000	2022 RMB'000
Government grants	1,201	1,199

Government grants received to compensate for the Group's cost of sales and operating expense which has not yet been undertaken are included in deferred income and recognized as income on a systematic basis of over the periods that the cost, for which it is intended to compensate, are expensed. Government grants received in relation to assets invested in laboratory equipment were credited to deferred income and are recognized as income over the expected useful lives of the relevant assets.

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30. Deferred Tax Assets and Liabilities

The movements in deferred tax assets during the reporting periods are as follows:

	Impairment of assets <i>RMB'000</i>	Accrued expenses <i>RMB'000</i>	Accrued bonus <i>RMB'000</i>	Accrued pension <i>RMB'000</i>	Tax losses <i>RMB'000</i>	Accrued income <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2021	6,094	25,474	1,378	6,048	5,029	3,747	251	48,021
Deferred tax credited/(charged) to profit or loss during the year	6,455	(8,423)	484	(711)	7,497	(1,472)	156	3,986
At 31 December 2022	12,549	17,051	1,862	5,337	12,526	2,275	407	52,007
Deferred tax credited/(charged) to profit or loss during the year	232	8,378	(435)	275	(6,415)	447	(104)	2,378
At 31 December 2023	12,781	25,429	1,427	5,612	6,111	2,722	303	54,385

The movements in deferred tax liabilities during the reporting periods are as follows:

	Fair value adjustments arising from acquisition of subsidiaries <i>RMB'000</i>	Fair value gains from contingent consideration <i>RMB'000</i>	Depreciation allowance in excess of related depreciation <i>RMB'000</i>	Total <i>RMB'000</i>
Gross deferred tax liabilities at 31 December 2021	547	–	–	547
Deferred tax charged to the statement of profit or loss during the year	1,875	595	2,333	4,803
Gross deferred tax liabilities at 31 December 2022	2,422	595	2,333	5,350
Deferred tax charged to the statement of profit or loss during the year	–	771	(349)	422
Gross deferred tax liabilities at 31 December 2023	2,422	1,366	1,984	5,772

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31. Leases

The Group as a lessee

The Group has lease contracts for various items of properties and equipment used in its operations. Leases of properties generally have lease terms between 2 and 10 years, while equipment generally has lease terms between 3 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the reporting periods are as follows:

	Properties <i>RMB'000</i>	Equipment <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2023			
At 1 January 2023:			
Cost	119,818	1,776	121,594
Accumulated depreciation	(99,380)	(1,616)	(100,996)
Net carrying amount	20,438	160	20,598
At 1 January 2023, net of accumulated depreciation			
	20,438	160	20,598
Additions	41,340	-	41,340
Depreciation provided during the year	(20,669)	-	(20,669)
At 31 December 2023, net of accumulated depreciation			
	41,109	160	41,269
At 31 December 2023			
Cost	161,158	1,776	162,934
Accumulated depreciation	(120,049)	(1,616)	(121,665)
Net carrying amount	41,109	160	41,269

31. Leases (continued)

The Group as a lessee (continued)

(a) Right-of-use assets (continued)

	Properties <i>RMB'000</i>	Equipment <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2022			
At 1 January 2022:			
Cost	90,753	1,776	92,529
Accumulated depreciation	(73,237)	(1,616)	(74,853)
Net carrying amount	17,516	160	17,676
At 1 January 2022, net of accumulated depreciation			
	17,516	160	17,676
Additions	16,157	–	16,157
Depreciation provided during the year	(13,235)	–	(13,235)
At 31 December 2022, net of accumulated depreciation			
	20,438	160	20,598
At 31 December 2022			
Cost	119,818	1,776	121,594
Accumulated depreciation	(99,380)	(1,616)	(100,996)
Net carrying amount	20,438	160	20,598

Notes to the Consolidated Financial Statements

31 December 2023

31. Leases (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the reporting periods are as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Carrying amount at 1 January	19,861	18,192
Additions	41,340	16,158
Disposals	–	–
Interest expenses	1,905	851
Payments	(21,718)	(15,340)
Carrying amount at 31 December	41,388	19,861
Analysed into:		
Current portion	12,132	10,998
Non-current portion	29,256	8,863

A maturity analysis of the lease liabilities as at the end of each of the reporting periods is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Less than 3 months	3,355	2,076
3 to less than 12 months	8,777	8,921
1 to 3 years	10,964	8,271
Over 3 years	18,292	593
	41,388	19,861

31. Leases (continued)

The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	1,905	851
Depreciation charge of right-of-use assets	20,669	13,235
Expense relating to leases of short-term and low-value assets	2,190	9,153
Total amount recognised in profit or loss	24,764	23,239

During the reporting periods, the Group entered into certain long-term lease contracts for properties and equipment.

(d) The following future cash outflows of the Group are potentially exposed to short-term leases:

	2023 RMB'000	2022 RMB'000
Future cash outflows for short-term leases	30,844	1,070

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32. Share Capital/Treasury Shares

Issued and fully paid

	2023 RMB'000	2022 RMB'000
Issued and fully paid: 954,305,104 (2022: 961,501,284) ordinary shares	1,543	1,556

Share Capital	Number of shares in issue	Share capital (RMB'000)
At 1 January 2022	901,610,620	1,466
Shares issued upon exercise of share options (Note 34)	99,997,664	159
Share repurchased (Note i & Note ii)	(40,107,000)	(69)
At 31 December 2022	961,501,284	1,556
Shares issued upon exercise of share options (Note 34)	9,777,820	17
Share repurchased (Note i & Note ii)	(16,974,000)	(30)
At 31 December 2023	954,305,104	1,543

Treasury Shares	Number of shares in issue	Share capital (RMB'000)
At 1 January 2022	580,500	1
Share cancelled (Note i)	(580,500)	(1)
Share repurchased (Note i)	407,000	1
Share repurchased for RSU (Note ii)	24,726,000	42
At 31 December 2022	25,133,000	43
Share cancelled (Note i)	(407,000)	(1)
Share repurchased (Note i)	397,000	5
Share repurchased for RSU (Note ii)	6,880,000	12
At 31 December 2023	32,003,000	59

32. Share Capital/Treasury Shares (Continued)

Issued and fully paid (continued)

Notes:

- i. Pursuant to the board resolution passed on 5 November 2021, the Company announced to exercise its powers under the repurchase mandate to repurchase shares of the Company. A total of 16,974,000 shares were repurchased by the Company at a total consideration of HK\$30,469,000 (equivalent to approximately RMB28,010,000) during the year ended 31 December 2023 (2022: A total of 40,107,000 shares were repurchased at a total consideration of HK\$87,298,000 (equivalent to approximately RMB77,046,000)), among which 9,697,000 (2022: 15,381,000) shares had been cancelled and the remaining 397,000 shares not been cancelled as at 31 December 2023 (2022: the remaining 407,000 shares not been cancelled as at 31 December 2022).
- ii. Pursuant to the board resolution passed on 22 June 2021, the Company may acquire shares through on market transactions at the prevailing market price and transfer to a RSU trustee, a special purpose vehicle established to hold the acquired shares under the post-IPO RSU scheme. The aggregate number of shares underlying all grants made pursuant to the post-IPO RSU scheme shall not exceed 8% of the issued share capital of the Company as of the date of approval of the post-IPO RSU scheme, being 54,337,129 shares of the Company.

A total of 6,880,000 shares had been repurchased by the Company at a total consideration of HK\$12,728,893 (equivalent to approximately RMB11,473,000) during the year ended 31 December 2023 (2022: a total of 24,726,000 shares repurchased at a total consideration of HK\$52,436,835 (equivalent to approximately RMB45,776,000)).

33. Reserves

Group

The amounts of the Group's reserves and the movement therein are presented in the consolidated statement of changes in equity on pages 132 to 133 of the consolidated financial statements.

(i) Capital reserve

The capital reserve represents the difference between the par value of the shares issued and the consideration received.

(ii) Other capital reserve

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

(iii) Share-based payment reserve

The share-based payment reserve of the Group represents the fair value of equity-settled share-based payments granted in 2013, 2015 and 2016. 9,777,820 share options were exercised in 2023.

(iv) Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statement of group companies whose functional currencies are different from the Group's presentation currency.

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34. Stock Incentive Plans

Pre-IPO stock incentive plans

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

Details of Pre-IPO Scheme granted are as follows:

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

Notes:

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

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

The following share options were outstanding during the reporting periods:

	31 December 2023		31 December 2022	
	Weighted average exercise price US\$ per share	Number of options 000	Weighted average exercise price US\$ per share	Number of options 000
At the beginning of year	4.32 cent	14,987,592	5.95 cent	114,985,256
Exercised during the year	4.85 cent	9,777,820	4.77 cent	99,997,664
At the end of year	3.33 cent	5,209,772	4.32 cent	14,987,592
Exercisable at the end of the year	-	5,209,772	-	14,987,592

The weighted average share price at the date of exercise for share options exercised during the year was HK\$1.93 per share (2022: HK\$5.06 per share options were exercised).

34. Stock Incentive Plans (Continued)

Shares issued upon exercise of share options

9,777,820 shares issued upon exercise of share options with the weighted average exercise price in US\$4.85 cent in 2023 (99,997,664 shares issued with the weighted average exercise price in US\$4.77 cent 2022).

Post-IPO stock incentive plans

No shares had been granted under the post-IPO RSU scheme during the reporting period.

35. Business Combination

Wuhan Kindstar Venture Capital Management Co., Ltd. (武漢康聖創業投資管理有限公司) ("Kindstar Venture Capital") is a limited liability company established under the laws of the PRC on August 19, 2022. Its main business is venture capital investment and fund management services. The Group acquired 80.5% equity interests in Venture Capital in May 2023 at a total cash consideration of RMB2,013,000, which is equal to the carrying amount of the net assets of Kindstar Venture Capital upon acquisition.

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36. Notes to the Consolidated Statements of Cash Flows

(a) Major non-cash transactions

During the reporting periods, the Group had non-cash additions to right-of-use assets of RMB41,340,000 (2022: RMB16,158,000) and non-cash additions to lease liabilities of RMB41,340,000 (2022: RMB16,158,000), respectively, in respect of lease arrangements for properties and equipment.

(b) Changes in liabilities arising from financing activities

	New bank borrowings <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>
At 1 January 2023	180,000	19,861
Interest expense	6,129	1,905
Additions	152,900	41,340
Payment	(180,000)	(21,718)
– Financial cashflow	–	–
– Operating cashflow	–	–
Conversion into ordinary shares	–	–
Interest paid	(6,129)	–
Exchange adjustment	–	–
At 31 December 2023	152,900	41,388

	New bank borrowings <i>RMB'000</i>	Advances from employees <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>
At 1 January 2022	–	10,643	18,192
Interest expense	1,666	–	851
Additions	180,000	926	16,158
Payment	–	–	–
– Financial cashflow	–	(3,304)	(15,340)
– Operating cashflow	–	–	–
Conversion into ordinary shares	–	(9,876)	–
Interest paid	(1,666)	–	–
Exchange adjustment	–	1,611	–
At 31 December 2022	180,000	–	19,861

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37. Commitments

The Group had the following capital commitments at the end of each reporting period:

	2023 RMB'000	2022 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	92,947	8,934
Equity investments	114,330	78,950
Fund investments	28,084	38,747
	235,361	126,631

38. Related Party Transactions

(a) Name and relationship

	Relationship with the Group
湖北瑞江康聖產業投資基金合夥企業(有限合夥) Hubei Rivercity Kindstar Industry Investment Fund Partnership (Limited Partnership) ("Rivercity Kindstar Fund")	(note i)
Panacea Venture	Entity controlled by a director
武漢康聖冷鏈物流有限公司 Wuhan Kindstar Cold Chain Logistics Co., Ltd. ("Kindstar Logistics") (Note iii)	Entity controlled by Mr. Huang Shi-Ang
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 Mr. Huang Shi-Ang
武漢海希生物科技有限公司 Wuhan Haixi Biological Technology Co., Ltd. ("Haixi Biological Technology")	(note ii)
武漢蒲雲醫學檢驗實驗室有限公司 Wuhan Puyun Medical Laboratory Co., Ltd. ("Wuhan Puyun")	Associate

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38. Related Party Transactions (continued)

(a) Name and relationship (continued)

	Relationship with the Group
武漢德谷醫學檢驗實驗室有限公司 Wuhan Degu Medical Laboratory Co., Ltd. ("Wuhan Degu")	Associate
武漢康聖艾樂醫學檢驗實驗室有限公司 Wuhan Kindstar Aile Medical Laboratory Co., Ltd ("Kindstar Aile")	Entity controlled by Rivercity Kindstar Fund
武漢邁諾生物醫學科技有限公司 Wuhan Mainuo Medical Biotechnology Co., Ltd. ("Mainuo Medical")	Entity controlled by Rivercity Kindstar Fund
武漢英視特生物科技有限公司 Wuhan Insight Biotechnology Co., Ltd. ("Wuhan Insight")	Entity controlled by Rivercity Kindstar Fund
武漢紐凱生物科技有限公司 Wuhan Niukai Biotechnology Co., Ltd. ("Wuhan Niukai")	Entity controlled by Rivercity Kindstar Fund
武漢康聖澤輝醫學檢驗實驗室有限公司 Wuhan Kingstar Zehui Medical Laboratory Co., Ltd. ("Kindstar Zehui")	Entity controlled by Rivercity Kindstar Fund
武漢趨勢信息技術有限公司 Wuhan Trend Information Technology Co., Ltd. ("Wuhan Trend")	Entity controlled by Rivercity Kindstar Fund
武漢沐恩醫學科技有限公司 Wuhan Immuno Medical Tech Co., Ltd. ("Wuhan Immuno")	Entity controlled by Rivercity Kindstar Fund
武漢康聖原啟醫學檢驗有限公司 Wuhan Kingstar Yuanqi Medical Laboratory Co., Ltd. ("Kindstar Yuanqi")	Entity controlled by Rivercity Kindstar Fund
武漢拓道醫學科技有限公司 Wuhan Tuodao Medical Technology Co., Ltd ("Tuodao Medical")	Entity controlled by Rivercity Kindstar Fund

38. Related Party Transactions (continued)

(a) Name and relationship (continued)

	Relationship with the Group
武漢益特醫療技術諮詢有限公司 Wuhan Medical Esoteric Test Technology Consulting Co., Ltd. (“Wuhan Yite”)	Entity controlled by Rivercity Kindstar Fund
武漢康聖易呼醫學檢驗實驗室有限公司 Wuhan Kindstar Yihu Medical Laboratory Co., Ltd (“Kindstar Yihu”)	Entity controlled by Rivercity Kindstar Fund
武漢譜絡生物醫學科技有限公司 Wuhan Puluo Medical Biotechnology Co., Ltd. (“Puluo Biomedical”)	Entity controlled by Rivercity Kindstar Fund
天津康津醫學科技有限公司 Tianjin Kangjin Medical Technology Co., Ltd. (“Tianjin Kangjin”)	Entity controlled by Rivercity Kindstar Fund
譜絡(武漢)醫學生物科技有限公司 Puluo (Wuhan) Medical Biotechnology Co., Ltd. (“Puluo Wuhan”)	Entity controlled by Rivercity Kindstar Fund
武漢因特檢醫學科技有限公司 Wuhan Intejian Medical Technology Co., Ltd. (“Wuhan Intejian”)	Entity controlled by Rivercity Kindstar Fund
武漢艾樂醫學生物科技有限公司 Wuhan Alla Medical Biotechnology Co., Ltd. (“Wuhan Alla”)	Entity controlled by Rivercity Kindstar Fund
沐恩(武漢)醫學生物科技有限公司 Immuno (WuHan) Medical Tech Co., Ltd. (“Immuno Medical”)	Entity controlled by Rivercity Kindstar Fund
邁諾(武漢)醫學生物科技有限公司 Mainuo (Wuhan) Medical Biotechnology Co., Ltd. (“Wuhan Mainuo”)	Entity controlled by Rivercity Kindstar Fund
因特檢(武漢)醫學生物科技有限公司 Intejian (Wuhan) Medical Biotechnology Co., Ltd. (“Intejian Medical”)	Entity controlled by Rivercity Kindstar Fund
武漢海傑科技有限公司 Wuhan Haijie Technology Co., Ltd. (“Wuhan Haijie”)	Entity controlled by a senior management

Notes to the Consolidated Financial Statements

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38. Related Party Transactions (continued)

(a) Name and relationship (continued)

Notes:

- (i) In September 2021, the Group entered into a partnership agreement with third parties 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) and Wuhan Booth Investment Co., Ltd. (武漢布斯投資資訊有限公司) (as the limited partner) for the formation of Rivercity Kindstar Fund. The total capital contribution by all partners of Rivercity Kindstar Fund shall be RMB300,000,000, of which RMB177,000,000 shall be contributed by the Group. Pursuant to the partnership agreement, an investment decision committee is formed as the highest investment decision-making body of Rivercity Kindstar Fund, which comprises four members, including two representatives nominated jointly by the Group and Wuhan Booth Investment Co., Ltd., one of whom is Mr. Huang Zuie-Chin, a non-executive director of the Company.
- (ii) On 21 January 2022, the Group acquired Haixi Biological Technology and Haixi Biological Technology is no longer a related party of the Group since then.

(b) Significant related party transactions

In addition to the transactions detailed elsewhere in the consolidated financial statements, the Group had the following material related party transactions during the reporting periods:

	2023 RMB'000	2022 RMB'000
Purchases of services		
Wuhan Insight (Note i) (Note vi)	10,074	–
Puluo Biomedical (Note i) (Note vi)	6,740	–
Tuodao Medical (Note v)	6,107	–
Wuhan Puyun (Note i)	5,928	13,079
Wuhan Yite (Note vi) (Note i)	4,974	–
Kindstar Aile (Note v)	4,840	–
Kindstar Zehui (Note v)	4,496	–
Kindstar Yihu (Note v)	4,201	–
Wuhan Niukai (Note i)	3,332	–
Wuhan Immuno (Note i) (Note vi)	3,328	–
Kindstar Yuanqi (Note v)	936	–
Wuhan Degu (Note i)	403	35,432
	55,359	48,511
Purchases of reagents		
Wuhan Yite (Note iv) (Note iv)	1,899	–
Mainuo Medical (Note iv)	250	–
Haixi Biological Technology (Note ii)	–	1,073

38. Related Party Transactions (continued)

(b) Significant related party transactions (continued)

	2023 RMB'000	2022 RMB'000
Investment in		
Panacea Venture (Note iii)	10,676	47,767
	2023 RMB'000	2022 RMB'000
Rental services		
Wuhan Insight (Note vi)	1,417	–
Puluo Biomedical (Note i) (Note vi)	639	–
Wuhan Immuno (Note i) (Note vi)	374	–
	2,430	–
Purchase of equipment		
Puluo Wuhan (Note vii)	600	–

Notes:

- (i) During the year, the Group purchased testing services from Wuhan Insight, Wuhan Yite, Wuhan Degu, Wuhan Puyun, Wuhan Niukai, Puluo Biomedical and Wuhan Immuno.
- (ii) On 21 January 2022, the Group acquired Haixi Biological Technology.
- (iii) In 2023, the Company entered into subscription agreement with Panacea Venture to subscribe limited partnership in a fund (acting by Panacea Venture, general partner of the fund) for total consideration of up to US\$12.5 million. The Company had paid down investment of US\$8,535,000 (equivalent to RMB58,443,000) in 2023.
- (iv) During the year, the Group purchased reagents from Wuhan Yite, Mainuo Medical.
- (v) During the year, Kindstar Aile, Kindstar Zehui, Kindstar Yihu, Tuodao Medical and Kindstar Yuanqi provided promotion services to the Group.
- (vi) During the year, Wuhan Insight, Puluo Biomedical and Wuhan Immuno provided rental services to the Group.
- (vii) In June 2023, Haixi Biological Technology brought an equipment from Puluo Wuhan.

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

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38. Related Party Transactions (continued)

(c) Other transactions with related parties

Mr. Huang Shiang, the legal person of Kindstar Wuhan WFOE, provided guarantee in his personal name for the bank loan and credit line granted by China Merchants Bank to Kindstar Wuhan WFOE, with a total amount of RMB200 million. The security agreement does not involve collateral and pledge. The agreement stipulates that if the guaranteed person fails to repay in time, China Merchants Bank has the right to directly freeze/ deduct the funds of any individual account of Mr. Huang Shiang in China Merchants Bank or entrust other financial institutions to freeze and deduct the funds of his account opened under this institution with guarantee period from 30 June 2023 to 28 November 2024. In addition, Mr. Huang Shiang also provided guarantee in his personal name for bank loans and credit line granted to Kindstar Zhenyuan, with a total amount of RMB100 million with the guarantee period from 29 December 2023 to 29 December 2024.

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38. Related Party Transactions (continued)

(d) Outstanding balances with related parties

As disclosed in the statements of financial position, the Group had outstanding balances with related parties at 31 December 2023.

	2023 RMB'000	2022 RMB'000
<i>Due from related parties</i>		
Other receivables (trade in nature)		
Wuhan Insicht	4,811	–
Wuhan Yite	3,061	–
Wuhan Puyun	2,334	129
Puluo Biomedical	1,235	–
Wuhan Degu	1,082	1,014
Wuhan Immuno	344	–
Wuhan Niukai	218	–
Kindstar Aile	184	–
Wuhan Intejian	125	–
Mainuo Medical	39	–
Kindstar Yihu	27	–
Kindstar Zehui	13	–
Kindstar Yuanqi	4	–
Wuhan Alla	2	–
Puluo Medical	1	–
Total amounts due from related parties	13,480	1,143

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38. Related Party Transactions (continued)

(d) Outstanding balances with related parties (continued)

	2023 RMB'000	2022 RMB'000
<i>Due to related parties</i>		
Other payables (trade in nature)		
Wuhan Degu	4,577	19,697
Tuodao Medical	4,194	–
Wuhan Puyun	3,983	5,849
Puluo Biomedical	2,189	–
Wuhan Insicht	1,746	–
Kindstar Yuanqi	1,313	–
Wuhan Intejian	1,069	–
Kindstar Yihu	1,024	–
Mainuo Medical	841	–
Kindstar Aile	840	–
Wuhan Immuno	522	–
Wuhan Yite	489	–
Puluo Medical	195	–
Wuhan Niukai	188	–
Tianjin Kangjin	183	–
Intejian Medical	16	–
Wuhan Trend	5	–
	23,374	25,546
Total amounts due to related parties	23,374	25,546

Note:

- (i) The Group's balances due from and due to the related companies are unsecured, interest-free and repayable on demand, except for the loans to key management and employees.

(e) Compensation of key management personnel of the Group

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	2,012	1,938
Performance related bonuses	76	278
Pension scheme contributions	171	168
Total amounts due from related parties	2,259	2,384

Further details of directors' and chief executive' emoluments are included in note 10 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

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39. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments of the Group as at the end of each of the reporting periods are as follows:

	2023 RMB'000	2022 RMB'000
Financial assets		
Financial assets at FVTPL:		
Investment in an unlisted fund	280,482	216,764
Wealth management products	–	49,197
	280,482	265,961
Financial assets at amortised cost:		
Trade and bills receivables	566,561	633,853
Due from related parties	13,480	1,143
Financial assets included in prepayments, deposits and other receivables	36,410	29,475
Time deposits (more than 3 months)	562,450	1,496,836
Cash and cash equivalents	1,472,799	680,359
	2,651,700	2,841,666
Financial liabilities		
Financial liabilities at FVTPL:		
Contingent consideration	922	6,419
Financial liabilities at amortised cost:		
Trade and bills payables	221,740	299,513
Amount due to related parties	23,374	25,546
Financial liabilities included in other payables and accruals	172,629	202,614
Interest-bearing bank borrowings	152,900	180,000
Lease liabilities	41,388	19,861
	612,031	727,534

Notes to the Consolidated Financial Statements

31 December 2023

40. 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 31 December 2023		As at 31 December 2022	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Financial assets				
Investment in an unlisted fund	280,482	280,482	216,764	216,764
Wealth management products	–	–	49,197	49,197
	280,482	280,482	265,961	265,961
Financial liabilities				
Contingent consideration	922	922	6,419	6,419

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.

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 funds 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.

Notes to the Consolidated Financial Statements

31 December 2023

40. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Fair value hierarchy

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

As at 31 December 2023

	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	
Financial assets				
Investment in unlisted funds	-	-	280,482	280,482
Financial liabilities				
Contingent consideration	-	-	922	922

As at 31 December 2022

	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	
Financial assets				
Investment in unlisted funds	-	-	216,764	216,764
Wealth management products	-	49,197	-	49,197
	-	49,197	216,764	265,961
Financial liabilities				
Contingent consideration	-	-	6,419	6,419

Notes to the Consolidated Financial Statements

31 December 2023

40. 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 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Below listed the summary of how the fair values of financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Financial assets/ financial liabilities type	Fair value	Fair value	Fair value hierarchy	Valuation technique	Significant unobservable inputs
		As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000			
Financial assets						
Financial assets at FVTPL	Unlisted funds	178,680	177,732	Level 3	Market approach, Cost method, Recent trading price method	Average EV/sales multiple of peers
	Unlisted funds	36,400	–	Level 3	Cost method	Not applicable
	Unlisted funds	65,402	39,032	Level 3	Net asset value	Not applicable
Financial liabilities						
Financial liabilities at FVTPL	Contingent consideration	922	6,419	Level 3	Discounted cash flow method	Probability-account receivables recovery, Discount rate

41. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise interest-bearing bank borrowings, financial liabilities at FVTPL, other interest-bearing loans, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors review and agree policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of each of the reporting periods to a reasonably possible change in the RMB and US\$ exchange rate, with all other variables held constant, of the Group's loss before tax.

	2023 RMB'000	2022 RMB'000
RMB/US\$		
Strengthened 5%	58,440	56,187
Weakened 5%	(58,440)	(56,187)

Credit risk

An impairment analysis was performed at 31 December 2023 using a provision matrix to measure expected credit losses. The provision rates are based on ageing for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on ageing information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2023. The amounts presented are gross carrying amounts for financial assets.

Notes to the Consolidated Financial Statements

31 December 2023

41. Financial Risk Management Objectives and Policies (continued)

Maximum exposure and year-end staging (continued)

At 31 December 2023

	12-month ECLs		Lifetime ECLs		Simplified approach RMB'000	Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000			
Financial assets at FVTPL	280,482	-	-	-	-	280,482
Trade receivables*	-	-	-	-	627,476	627,476
Bills receivables	354	-	-	-	-	354
Financial assets included in prepayments, deposits and other receivables						
- Normal**	36,410	-	-	-	-	36,410
- Doubtful**	-	-	-	-	-	-
Amounts due from related parties	13,480	-	-	-	-	13,480
Time deposits	678,274	-	-	-	-	678,274
Cash and cash equivalents	1,472,799	-	-	-	-	1,472,799
	2,481,799	-	-	-	627,476	3,109,275

41. Financial Risk Management Objectives and Policies (continued)

Maximum exposure and year-end staging (continued)

At 31 December 2022

	12-month ECLs		Lifetime ECLs		Simplified approach RMB'000	Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000			
Financial assets at FVTPL	265,961	–	–	–	–	265,961
Trade receivables*	–	–	–	696,118	–	696,118
Bills receivables	1,125	–	–	–	–	1,125
Financial assets included in prepayments, deposits and other receivables						
– Normal**	29,475	–	–	–	–	29,475
– Doubtful**	–	–	–	–	–	–
Amounts due from related parties	1,143	–	–	–	–	1,143
Time deposits	1,274,992	–	–	–	–	1,274,992
Cash and cash equivalents	682,795	–	–	–	–	682,795
	2,255,491	–	–	696,118	–	2,951,609

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the Consolidated financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the debtor
- a breach of contract such as a default or past due event
- it is probable that the debtor will enter bankruptcy or other financial reorganisation

Notes to the Consolidated Financial Statements

31 December 2023

41. Financial Risk Management Objectives and Policies (continued)

Maximum exposure and year-end staging (continued)

The Group has established a policy to perform an assessment, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Management makes periodic collective assessments for financial assets included in prepayments, deposits and other receivables as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The Group recognised allowance for financial assets other than trade receivables based on 12-month ECLs and adjusts for forward-looking macroeconomic data. Trade receivables to which the Group applies the simplified approach for impairment based on lifetime ECLs.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operations and bank borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of each of the reporting periods, based on the contractual undiscounted payments, was as follows:

2023	On demand <i>RMB'000</i>	Less than 1 year <i>RMB'000</i>	1 to 3 years <i>RMB'000</i>	Over 3 years <i>RMB'000</i>	Total <i>RMB'000</i>
Contingent Consideration	-	922	-	-	922
Trade and bills payables	-	221,740	-	-	221,740
Financial liabilities included in other payables and accruals	172,629	-	-	-	172,629
Interest-bearing bank borrowings	-	152,900	-	-	152,900
Amounts due to related parties	23,374	-	-	-	23,374
Lease liabilities	-	12,132	10,964	18,292	41,388
	196,003	387,694	10,964	18,292	612,953

41. Financial Risk Management Objectives and Policies (continued)

Liquidity risk (continued)

2022	On demand <i>RMB'000</i>	Less than 1 year <i>RMB'000</i>	1 to 3 years <i>RMB'000</i>	Over 3 years <i>RMB'000</i>	Total <i>RMB'000</i>
Contingent Consideration	–	6,419	–	–	6,419
Trade and bills payables	–	299,513	–	–	299,513
Financial liabilities included in other payables and accruals	202,614	–	–	–	202,614
Interest-bearing bank borrowings	–	–	–	–	–
Amounts due to related parties	25,546	–	–	–	25,546
Lease liabilities	–	10,998	8,271	593	19,862
	228,160	316,930	8,271	593	553,954

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the reporting periods.

Notes to the Consolidated Financial Statements

31 December 2023

41. Financial Risk Management Objectives and Policies (continued)

Capital management (continued)

The asset-liability ratios as at the end of each of the reporting periods are as follows:

	2023 RMB'000	2022 RMB'000
Adjusted capital	3,669,209	3,725,344
Capital and net debt	774,228	871,615
Gearing ratio	21%	23%

Note: Asset-liability ratio is calculated by dividing total liabilities by total assets and multiplying the product by 100%.

42. Events After the Reporting Period

There was no significant events affecting the Group after the year end up to the date of this report.

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43. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	456,078	583,178
Amount due from a subsidiary	131,394	129,000
Financial assets at FVTPL	65,402	39,033
Total non-current assets	652,874	751,211
CURRENT ASSETS		
Prepayments, deposits and other receivables	107	105
Amount due from a subsidiary	1,653,158	1,659,384
Cash and cash equivalents	1,170,337	980,773
Total current assets	2,823,602	2,640,262
CURRENT LIABILITIES		
Other payables and accruals	97,210	92,206
Total current liabilities	97,210	92,206
Total non-current liabilities	-	-
Net Assets	3,379,266	3,299,267
DEFICIENCY IN EQUITY		
Share capital	1,543	1,556
Treasury shares	59	43
Reserves	3,377,664	3,297,668
Total equity	3,379,266	3,299,267

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43. Statement of Financial Position of the Company (continued)

Note:

A summary of the Company's equity is as follows:

	Share capital RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Share -based payment reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2022	1,466	1	5,989,467	119,537	33,687	(2,996,933)	3,147,225
Loss for the period	-	-	-	-	-	(15,401)	(15,401)
Exchange differences on translation of financial statements	-	-	-	-	244,489	-	244,489
Shares issued upon exercise of share options	159	-	9,717	(9,876)	-	-	-
Repurchase of ordinary shares	(69)	42	(77,019)	-	-	-	(77,046)
At 31 December 2022	1,556	43	5,922,165	109,661	278,176	(3,012,334)	3,299,267
Loss for the period	-	-	-	-	-	58,597	58,597
Exchange differences on translation of financial statements	-	-	-	-	49,412	-	49,412
Shares issued upon exercise of share options	17	-	1,075	(1,092)	-	-	-
Repurchase of ordinary shares	(30)	16	(27,996)	-	-	-	(28,010)
At 31 December 2023	1,543	59	5,895,244	108,569	327,588	(2,953,737)	3,379,266