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

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2024**

The board (the “**Board**”) of directors (the “**Director(s)**”) of Kindstar Globalgene Technology, Inc. (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended June 30, 2024 (the “**Reporting Period**”).

In this announcement, “we,” “us,” and “our” refer to the Company and where the context otherwise requires, the Group. Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

FINANCIAL HIGHLIGHTS

The following table sets forth our key financial data for the periods presented, together with the change (expressed in percentages) for the six months ended June 30, 2024 and the corresponding period of 2023.

	For the six months ended June 30,		Year-on-year change %
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)	
Revenue	473,335	492,760	(3.9)
– Non-COVID-19-related testing ⁽¹⁾	473,335	484,831	(2.4)
– COVID-19-related testing	–	7,929	–
Gross profit	225,790	243,920	(7.4)
Gross margin (%)	47.7%	49.5%	(1.8)
			percentage points
Net income	10,528	43,488	(75.8)
Net margin ⁽²⁾ (%)	2.2%	8.8%	(6.6)
			percentage points

Notes:

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

Revenue

For the six months ended June 30, 2024, we recorded a total revenue of approximately RMB473.3 million, representing a decrease of approximately RMB19.4 million or 3.9% from approximately RMB492.8 million for the corresponding period in 2023. Among which, there was no revenue generated from the COVID-19-related testing during the period, and revenue generated from non-COVID-19-related testing amounted to approximately RMB473.3 million, representing a year-on-year decrease of approximately 2.4%, which was primarily due to: (i) a decrease of RMB11.5 million in the revenue as a result of the impact of the changes in settlement models of some business during the period; and (ii) the overall business revenue remaining stable as compared to the corresponding period last year, excluding the impact of changes in settlement models.

Gross profit and gross profit margin

For the six months ended June 30, 2024, we recorded a consolidated gross profit of approximately RMB225.8 million, representing a year-on-year decrease of approximately 7.4%, which was due to the decrease of RMB19.4 million in the revenue and the new product business which was undergoing a period of investment in product research and development and channel construction, coupled with that the Group has added new laboratories in Shanghai and Guangzhou in terms of investment in fixed assets in order to expand its testing capacity and specialty tests as compared to the first half of last year, which together resulted in the decrease of 1.8% in our gross profit margin from 49.5% for the corresponding period in 2023 to 47.7%.

Net income and net margin

For the six months ended June 30, 2024, our net income amounted to approximately RMB10.5 million, representing a year-on-year decrease of approximately 75.8%. Our net margin was 2.2%, representing a decrease of 6.6% compared to the corresponding period in 2023. The main reasons for the fluctuation of the net income and net margin were as follows: (i) the revenue for the year decreased by RMB19.4 million as compared to the first half of 2023; (ii) we received government grants of RMB20.0 million for the corresponding period last year which was non-recurring income, and we did not receive similar government grants this year, resulting in a corresponding decrease in profit; and (iii) the provision for impairment loss on assets related to account receivables was approximately RMB15.5 million during the period.

BUSINESS REVIEW AND OUTLOOK

In the first half of 2024, China continuously strengthened the supervision of healthcare industries, resulting in a more compliant, healthy and sustainable third-party medical testing sector. The industry has entered a phase of standardized development, presenting new challenges to the operational strategy and business model of enterprises. As a leading enterprise in the third-party medical testing industry, the Company has been adopting various means to actively grab a larger share of the esoteric testing market by improving its service system, expanding further key specialties, promoting the admissions by contracting, as well as reaching agreement on the construction of precise platforms with large-scale hospitals. This demonstrates strong resilience across various business segments.

Multi-Specialty Esoteric Testing Business

Steady Progress in Specialty Esoteric Testing Business

Over the years, the Group has not only focused on its existing areas of strength, which include six major specialty esoteric testing business lines in hematology, neurology, genetic diseases and rare diseases, infectious diseases, solid tumor and maternity, but also identified and addressed the clinical needs of other specialties that have not been fully explored. By leveraging our accumulated experience and technological advantages in specialty esoteric testing business, we have expanded our scope of service and ways of cooperation. Currently, we have made rapid progress in the fields of ophthalmology, cardiovascular diseases, rheumatology, etc. We have established a systematic testing item manual and conducted R&D cooperation with leading hospitals in these specialties to provide testing solutions for clinical specialized doctors.

In the first half of 2024, the six major existing specialty esoteric testing businesses sought progress while maintaining stability. During the Reporting Period, there was a steady growth in the number of hospitals that cooperated with us for hematology testing services. We acquired more than 124 new hospital customers. In the field of neurology, we aim to deepen our collaboration with Southern Medical University, and continue to achieve the self-research, self-production and self-use of the neuroimmune-related reagent products through the conversion of scientific research achievements of the hospital. At the current stage, we completed the R&D and application of more than 70 relevant antibodies of diseases such as autoimmune encephalitis, central nerve demyelination, paraneoplastic syndromes, peripheral neuropathy, etc. In the field of infection, our self-developed targeted pathogen sequencing showed greater advantages in terms of timing, throughput, accuracy, flexibility, detection sensitivity, etc., and had a huge market potential in various infectious diseases. During the period, we successfully developed the pathogen screening and scientific research business in disease control and prevention centers of various provinces and municipalities, with an increase of over 50%. In the field of oncology, the MRD monitoring solution for solid tumors was optimized continuously, and the projects developed based on the two strategies of tumor informed and tumor agnostic were widely recognised by the market. Facing the huge demand for oncology clinical testing in China, with the continuous innovation and iteration of testing technology, we believe that early screening and diagnosis of oncology, companion diagnosis, recurrence monitoring and other fields will be huge development opportunities.

Expanding into more specialty esoteric testing fields is one of our strategic development directions, as well as the potential to give full play to the synergies of the esoteric testing industry. In the first half of 2024, in terms of ophthalmic testing, we became the first institution in China to attempt to monitor drug concentrations of adalimumab in the treatment of uveitis. Additionally, we secured 10 new Class IIIA hospital customers, effectively extending our coverage to capital-level cities and their neighboring cities in 13 provinces nationwide. In terms of rheumatology testing, the Group maintains clinical collaborations with more than 200 hospitals for testing, with 7 projects obtaining the certification of autoimmune clinical testing center under National Clinical Research Center for Dermatologic and Immunologic Diseases and 6 projects passed with full score in external quality assessment with leading Class IIIA hospitals in China. In 2023, we engaged in a patent transfer with Shenzhen Children’s Hospital and have since provided the hospital with more comprehensive and innovative molecular examination methods for clinical diagnosis. This has greatly contributed to guiding individualized and precise treatment for pediatric patients. In terms of cardiovascular testing, our business experienced rapid growth. In the first half of 2024, we introduced more than 100 new metabolite and gene detection indicators, as well as obtained 12 new approved Class I registration certificates for mass spectrometry testing items. In the second half of the year, the cardiovascular business will continue to be oriented towards clinical translation and application, and expand the coverage of specialties through continuous investment.

R&D Investment to Promote Innovation-Driven Development

In the first half of 2024, we maintained proper R&D investment, continued to promote the iteration and optimization of products and launched more high valued-added new products to keep our leadership in the field of specialty esoteric testing service. We actively explored the precision medicine-related science and technology, clinical application and research and other aspects, with a commitment to making original contributions to basic scientific problems of biomedicine and translational research of serious diseases. During the period, the Group had 69 new R&D detection items in total, including 22 items related to molecular biology detection technology, 23 items related to flow cytometry detection technology, 10 items related to cytogenetic detection technology, and 9 items related to pathological detection technology.

In terms of R&D, we completed a number of key projects during the period, firstly developing automatic analysis procedures related to bioinformatics based on the NGS technology platform, including the hematological tumor-related CNV, the establishment of CN-LOH interpretation database and the R&D of prediction software for whole genome ROH triploid, and obtaining the authorization of invention patent “ROH data analysis system based on chromosomal microarray (基於染色體微陣列的 ROH 數據分析系統)”. In addition, the Group completed a number of key projects, including the lymphoma ctDNA testing, the quantitative detection of fusion gene and gene mutation based on the digital PCR technology, and new immunization projects. In the first half of 2024, the Group successfully built the current most advanced molecular cytogenetics technology platform, namely, “Bionano” optical genome mapping technology platform, to provide assistance to the diagnosis or treatment of hematological tumors, solid tumors and hereditary diseases, etc.

Highlighted Potential of the Products for Immune Repertoire

In the first half of 2024, the business of our core product, Lymscan, had expanded to over 150 institutions in 25 provinces, representing a year-on-year increase of approximately 69% in revenue as compared to that in the first half of 2023. The market coverage and customers served thereof achieved a steady increase, and the repurchase rate of the MRD project significantly increased. We are currently cooperating with a number of well-known domestic enterprises and institutions, to explore and refine the applications of Fantekang, a product for immune reconstitution and monitoring, as well as KB-SEQ, a product for health monitoring, respectively.

Promote Channels Expansion through Cooperative Construction

In the first half of 2024, we established strong connections with our customers through comprehensive, multi-disciplinary, multi-omics, and multi-platform collaboration. During the Reporting Period, the Group has reached agreement on the construction of precise diagnosis platforms with a number of hospitals based on the development of the specialty esoteric testing businesses of the Company as well as the customers' needs, and carried out cooperation with large-scale Class IIIA hospitals in terms of multi-center scientific research projects, strengthened the promotion of relevant popular products and new projects, and focused on specific diseases to increase market share. Meanwhile, the Group has also carried out cooperative construction with a number of well-known institutions in projects such as pathogen detection, organoid projects in the cell platform, Alzheimer's disease serological marker detection, autoimmune disease detection and early heart failure detection, and actively created systematic diagnostic templates for specialties and diseases, as well as promotion methods such as regionalization and nationwide multi-center linkage.

In terms of new specialties, we also actively promoted cooperation through scientific research cooperation, cooperative construction, etc. In the first half of 2024, the mass spectrometry platform has been carried out cooperative construction with a number of hospitals, which has significantly promoted the testing level of the partnering hospitals and also increased the Group's market share in the field of mass spectrometry and metabolite detection. In the first half of the year, in terms of the organoids, as an important testing technology platform in the future, the Group also completed scientific research cooperation and reached agreement on the construction of platforms with a number of top hospitals, which significantly promoted our technical strength in clinical application in the field of organoids and established a pioneer advantage in the market.

Esoteric Testing Reagents

In the first half of 2024, the Company has improved and updated its esoteric testing reagent products. Over ten types of reagents were transferred to production through R&D, demonstrating outstanding performance in China. Our main product NGS performed mutation detection for major genes associated with various signaling pathways in B-cell lymphoma, chronic lymphocytic leukemia, and T/NK-cell lymphoma, from the perspective of diagnosis, treatment, prognosis, and medication. NGS not only offers wide coverage, but also avoids the impact of redundant data on disease analysis and enables more accurate clinical diagnosis and treatment. Furthermore, the Company's fusion gene reagent kits based on our years of experience in clinical diagnosis service can cover more than 95% of fusion gene indicators in the current market. Also, we have introduced numerous optimizations on the basis of that to enhance usability and ensure more accurate interpretation of results.

As of the first half of 2024, the Group's coverage and capabilities of hematologic tumors testing products are at the forefront in China. We completed the validation of over 2,000 square meters GMP plant, including microbiology, purified water, clean rooms, etc., which met the registration requirements of the National Medical Products Administration for Class III medical devices. While meeting the requirements of in-house reagent production, we can also fully undertake the entrusted production of third-party molecular reagents.

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

In 2023, leveraging its professional R&D and bioinformatics analysis capabilities, the Group commenced to provide comprehensive and extensive multi-omics scientific research services to researchers, hospitals, scientific research institutions and biopharmaceutical companies in the biological field at home and abroad. The Group is equipped not only with ultra-high-throughput second-generation gene sequencing platforms manufactured by Illumina and MGI, but also became the first batch of Revio platform sequencing service providers to obtain official certification from PacBio in the Asia Pacific at the end of last year. This achievement has enabled all-round coverage in the fields of third-generation sequencing, NGS, single-cell sequencing, MAS-Seq (the third generation single cell), and STOmics. These advancements aim to create more possibilities for scientific and technological services as well as precision medicine. In the first half of 2024, the sector of scientific research services of the Group has cooperated with nearly 100 hospitals, research institutions and enterprises, and its foreign operation has expanded to multiple countries, with overall revenue achieving diversified growth.

In the first half of 2024, the Group received over 90 pilot business consultancies, totaling five new contracts and supplemental agreements, involving various treatment fields such as CML/AML/MM/lymphoma, with the value of new contracts amounting to approximately RMB3 million, the value of existing contract amounting to over RMB44 million, and the partners covered well-known pharmaceutical companies and R&D institutions for cell therapy at home and abroad. In the second half of 2024, we will increase the investment in the construction of CRO system and focus on allocation of special software, talents and policies for CRO business based on the integration of the existing internal superior resources, to push forward the substantial growth in the experimental business.

External Investment and M&A

In the first half of 2023, the Group agreed to acquire a total of approximately 11.38% equity interest in Beijing Bofurui Gene Diagnostic Technology Co., Ltd. (北京博富瑞基因診斷技術有限公司) (hereinafter referred to as “Bofurui”) at a total consideration of RMB31,876,000. Bofurui is a leading enterprise in the field of transplantation esoteric testing and professional services in China, and features its leading professional technology and stable sustainability. The acquisition will further improve the Group's strategic system of “comprehensive, systematic and advanced” specialty esoteric testing, and enhance the penetration rate, influence and customer service efficiency of the Company's core testing technology in the transplantation market through industry synergy.

As of June 30, 2024, the Company had sufficient cash reserves with approximately RMB1.99 billion of cash, cash equivalents and time deposits. In 2024, under the strategic guidance of sound operations and long-term development, we will prudently use funds on hand, actively seek M&A opportunities, in order to swiftly obtain new testing technologies and specialty testing services. Furthermore, we are committed to continuing the implementation of technological progress and innovation, improving the quality and efficiency of testing services, and better adapting to market changes, to meet customers' needs, and promote the healthy development of the entire industry.

Digitalization, Informatization and Artificial Intelligence

Through deep learning, the artificial intelligence in medical testing and report interpretation is rapidly emerging. The Group is also committed to the automation of its various business line processes and the construction of intelligent laboratories and devotes to the integration of information and business, so as to improve diagnostic efficiency and accuracy and inject new vitality into precision medicine.

In the first half of 2024, the Group's in-house pharmacogenomics AI reporting system was launched online and put into practical use, realizing the full automation of pharmacogenomics projects from reads-processing, results interpretation to automatic report generation, and efficiently handling batch splitting and sample analysis of the reads at the same time, to achieve seamless conversion from raw data to structured reports. Converting from artificial interpretation, which originally took hours, to an automated and intelligent process that can be completed in just a few seconds greatly improved the speed and accuracy of interpretation.

In the first half of 2024, the Group built the world's first AI-SEQ intelligent analysis and interpretation system for hematologic tumors. Based on over 20 years of clinical reports, we have established an independent tumor database consisting of more than 300,000 variation sites, which is integrated with more than 30 international and domestic authoritative professional databases at the current stage and a disease literature database consisting of more than 50,000 pieces of data. With this comprehensive database, we are able to screen out effective information that can provide diagnosis, prognosis, and drug target genes among a huge number of variation sites, providing a more professional and efficient clinical service.

Looking ahead to the second half of 2024, the domestic specialty esoteric testing field is expected to see broader development prospects but also needs to address various technical, market, regulatory and other challenges. In the existing business areas, we will continue to be committed to channel expansion, participate in the construction of precision centers in Class IIIA hospitals, respond to the national medical policy simultaneously, and actively participate in the construction of regional centers. In the interim, the Group will closely monitor integration opportunities within the specialty esoteric testing industry's supply chain and seek to expand its business modules and optimize resource allocation through strategic M&A. In terms of upstream and downstream integrations, we will vigorously launch the Internet hospital business and explore out-of-hospital chronic disease management model for esoteric patients. Additionally, we will continue to prioritize technological innovation, and devote to establishing ourselves as a comprehensive solution provider offering products, LDT services, precision center co-construction, and internet healthcare.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The following table sets forth our unaudited condensed consolidated statements of profit or loss for the periods indicated, together with the change (expressed in percentages) from the six months ended June 30, 2023 to the corresponding period of 2024:

	For the six months ended June 30,		Year-on-year change %
	2024 <i>RMB'000</i> (unaudited)	2023 <i>RMB'000</i> (unaudited)	
Revenue	473,335	492,760	(3.9)
Cost of sales	(247,545)	(248,840)	(0.5)
Gross profit	225,790	243,920	(7.4)
Other income and gains	54,889	81,179	(32.4)
Selling and marketing expenses	(147,923)	(159,588)	(7.3)
Administrative expenses	(46,767)	(49,250)	(5.0)
Research and development costs	(48,401)	(52,784)	(8.3)
Other expenses	(17,840)	(13,528)	31.9
Finance costs	(4,679)	(3,249)	44.0
Profit before tax	15,069	46,700	(67.7)
Income tax expense	(4,541)	(3,212)	41.4
Profit for the period	10,528	43,488	(75.8)
Attributable to:			
Owners of the parent	11,895	43,982	(73.0)
Non-controlling interests	(1,367)	(494)	(176.7)

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 main segment revenue and segment revenue proportion by operating segment for the periods presented.

	For the six months ended June 30,			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(unaudited)		(unaudited)	
Hematology testing	297,919	62.9	296,858	60.2
Neurology testing	49,154	10.4	48,960	10.0
Maternity-related testing	25,003	5.3	26,002	5.3
Genetic disease and rare disease testing	23,635	5.0	23,082	4.7
Infectious disease testing	23,659	5.0	28,928	5.9
Oncology testing	10,972	2.3	25,147	5.1
COVID-19-related testing	–	–	7,929	1.6
Routine testing	21,064	4.5	28,753	5.8
Scientific research services and CRO	8,224	1.7	6,553	1.3

Revenue from testing services

For the six months ended June 30, 2024, in addition to COVID-19-related testing, the esoteric testing products represented by hematology, genetic disease and rare disease testing were on the rise with their revenue proportion increased, demonstrating our advantages in the field of esoteric testing. Among which, the revenue from hematology testing amounted to approximately RMB297.9 million, representing a year-on-year increase of approximately 0.4%. During the Reporting Period, it had 2 precision centers in terms of hematology testing in collaboration with leading hospitals in China, jointly built 10 platforms with them, and established expert networks, aiming to create integrated diagnosis and treatment solutions with professional and cutting-edge services. The revenue from neurology testing amounted to approximately RMB49.1 million, representing a year-on-year increase of approximately 0.4%. We attract customers by establishing a consultation platform, providing online counselling and consultation, as well as promoting value-added services such as clinical Q&A for key projects. The revenue from genetic disease and rare disease testing amounted to approximately RMB23.6 million, representing a year-on-year increase of approximately 2.4%. The revenue from infectious disease testing amounted to approximately RMB23.6 million, representing a year-on-year decrease of 18.2%. The revenue from oncology testing amounted to approximately RMB10.9 million, representing a year-on-year decrease of approximately 56.4%. The decrease in revenue from infectious disease and oncology related testing was due to the change in its agency revenue settlement model.

Scientific research services and CRO

This segment mainly includes the sales of CROs and scientific research services. CROs and scientific research services achieved steady growth in the first half of the year, for the six months ended June 30, 2024, we recorded revenue from scientific research services and CRO of approximately RMB8.2 million, representing a year-on-year increase of approximately 25.5%.

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 six months ended June 30,			
	2024		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)		(unaudited)	
Staff costs	73,583	29.7	79,775	32.0
Outsourcing costs	42,052	17.0	37,090	11.8
Raw materials	78,117	31.6	78,806	34.8
Others	53,793	21.7	53,169	21.4
Total	<u>247,545</u>	<u>100.0</u>	<u>248,840</u>	<u>100.0</u>

For the six months ended June 30, 2024, our cost of sales decreased by 0.4% from approximately RMB248.8 million for the same period in 2023 to approximately RMB247.5 million. The decrease in cost was mainly due to the decrease in revenue of approximately RMB19.4 million or 3.9%, directly resulting in the decrease in costs.

Gross Profit, Gross Profit Margin and Segment Results

For the six months ended June 30, 2024, we recorded a consolidated gross profit of approximately RMB225.8 million, representing a year-on-year decrease of approximately 7.4%, with a consolidated gross profit margin of approximately 47.7%, representing a year-on-year decrease of 1.8 percentage points. The above changes in our gross profit and gross profit margin compared with the corresponding period were primarily due to the decrease of RMB19 million in the revenue and the new product business which was undergoing a period of investment in product research and development and channel construction, coupled with that the Group has added new laboratories in Shanghai and Guangzhou in terms of investment in fixed assets in order to expand its testing capacity and specialty tests as compared to the first half of last year, which together resulted in the decrease of 1.8% in our gross profit margin from 49.5% for the corresponding period in 2023 to 47.7%.

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, research and development 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 principal segment results for the periods indicated, both in actual amounts and as a percentage of segment revenue.

	For the six months ended June 30,			
	2024	% of	2023	% of
	Segment	segment	Segment	segment
	results	revenue	results	revenue
	(RMB'000)		(RMB'000)	
	(unaudited)		(unaudited)	
Hematology testing	69,082	23.2	67,636	22.8
Neurology testing	7,316	14.9	6,727	13.7
Maternity-related testing	727	2.9	168	0.6
Genetic disease and rare disease testing	3,045	12.9	2,810	12.2
Infectious disease testing	2,835	12.0	4,204	14.5
Oncology testing	1,702	15.5	3,111	12.4
COVID-19-related testing	–	–	271	3.4
Routine testing	156	0.7	264	0.9
CROs and scientific research services	1,533	18.6	836	12.8

For the six months ended June 30, 2024, the segment results of mature products such as hematology and neurology continued to improve, mainly due to the increase in the rate of our principal segments results driven by proactively strengthening internal management efficiency and implementing cost control measures, coupled with digital transformation, to respond to the current market environment.

The segment results of CROs and scientific research services achieved significant growth, increased from RMB0.8 million for the same period in 2023 to RMB1.5 million in the current period, with profit margin increased by 5.8 percentage points, mainly due to the steady growth in the revenue of CROs and scientific research services.

Other Income and Gains

- For the six months ended June 30, 2024, our other income and gains amounted to approximately RMB54.9 million, representing a decrease of approximately 32.4% as compared to the corresponding period in 2023. The decrease was primarily because we received government subsidies of RMB20.0 million in the same period last year, which was a non-recurring income, and we did not receive similar government subsidies in this year, resulting in a decrease in profit accordingly.

Selling and Marketing Expenses

- For the six months ended June 30, 2024, our selling and marketing expenses amounted to approximately RMB147.9 million, representing a decrease of approximately 7.3% as compared to the corresponding period in 2023. The selling and marketing expenses as a percentage of revenue decreased by 1.2% to 31.2% in this period from 32.4% for the same period last year. The decrease was mainly attributable to: (i) the enhancement of the efficiency of its marketing operations through optimization of its internal marketing structure and personnel; (ii) the adjustment of its marketing strategies and optimization of its sales channels; and (iii) the establishment of a regional co-construction center to provide services for reducing selling expenses.

Administrative Expenses

- For the six months ended June 30, 2024, our administrative expenses amounted to approximately RMB46.8 million, representing a decrease of approximately 5.0% as compared to the corresponding period in 2023. The decrease was primarily due to the organizational structure optimization and office cost control conducted by us.

Research and Development Costs

- For the six months ended June 30, 2024, our research and development costs amounted to approximately RMB48.4 million, accounting for 10.2% of revenue. To maintain corporate competitiveness and continue to promote layout of new specialty and new test technology, we still remain a high investment in research and development.

Other Expenses

- For the six months ended June 30, 2024, our other expenses amounted to approximately RMB17.8 million, representing an increase of approximately 31.9% as compared to the corresponding period in 2023. The increase was primarily due to the expected credit losses for bad debts based on the expected credit losses for accounts receivable.

Finance Costs

- For the six months ended June 30, 2024, our finance costs amounted to approximately RMB4.7 million, which was primarily associated with bank borrowings.

Income Tax Expense

- For the six months ended June 30, 2024, our income tax expense increased by approximately 41.4% to approximately RMB4.5 million as compared to the corresponding period in 2023.

Profit for the Period

- In view of the above, our profit for the six months ended June 30, 2024 amounted to approximately RMB10.5 million, representing a decrease of approximately 75.8% as compared to the corresponding period in 2023.

Liquidity and Capital Resources

We have maintained a comprehensive treasury policy, detailing specific functions and internal control measures for capital use. These functions and measures include but are not limited to procedures of capital management and liquidity management. We manage and maintain our liquidity through the use of internally generated cash flows from operations, bank borrowings and proceeds from the global offering (the “**Global Offering**”) of the ordinary shares of the Company (the “**Share(s)**”) in connection with 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.

For the six months ended June 30, 2024, 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 six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Net cash flows used in operating activities	(70,250)	(7,630)
Net cash flows (used in)/from investing activities	(969,483)	509,198
Net cash flows from/(used in) financing activities	133,581	(9,188)
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(906,151)	492,380
Cash and cash equivalents at the beginning of the period	1,472,799	680,359
Effect of foreign exchange rate changes, net	24,498	31,924
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	591,146	1,204,663

Cash and cash equivalents

For the six months ended June 30, 2024, our net cash used in operating activities was approximately RMB70.3 million, mainly attributable to: (i) positive adjustments to non-cash items, mainly including adjustments to bank financial income, depreciation of property, plant and equipment, adjustments to fair value of financial assets and contingent consideration; and (ii) increase by RMB22.9 million in other receivables and prepayments, our trade and bills receivables increased by RMB33.1 million and trade and bills payables decreased by RMB34.3 million during the Reporting Period.

For the six months ended June 30, 2024, our net cash used in investing activities was approximately RMB969.5 million, mainly attributable to: (i) the maturity of bank time deposits of RMB340.0 million and the purchase of bank time deposits of RMB1,171 million; and (ii) the acquisition of property, plant, machinery, equipment and investment in unlisted funds.

For the six months ended June 30, 2024, our net cash from financing activities was approximately RMB133.6 million, which was mainly attributable to: (i) a new bank loan of RMB178.0 million; (ii) a total payment of RMB14.3 million for the repurchase of shares and the purchase of shares under the Post-IPO RSU Scheme (as defined below); and (iii) the payment of RMB11.9 million for the lease payments.

As a result of the foregoing, our cash and cash equivalents, which were primarily held in Renminbi and United States dollars, decreased by approximately 50.9% from approximately RMB1,204.7 million as of June 30, 2023 to approximately RMB591.1 million as of June 30, 2024, mainly due to the fact that we invested certain idle funds in time deposits in order to enhance the value-added ability of funds.

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. 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 to consider taking appropriate hedging measures when necessary.

Indebtedness

As of June 30, 2024, as we had utilized a credit limit of approximately RMB322.9 million for bank borrowings, our unutilized banking facilities were approximately RMB387.1 million. As of June 30, 2024, the total amount of the Group's borrowings was approximately RMB316.1 million, all of which were RMB interest-bearing bank borrowings, of which the borrowings at fixed interest rates amounted to approximately RMB246.1 million and the borrowings at floating interest rates amounted to approximately RMB70.0 million.

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 statement of financial position by the share capital and reserves attributable to the equity holder of the Company. As of June 30, 2024, the total borrowings are approximately RMB316.0 million and the total share capital and treasury shares and reserves attributable to owners of the Company is approximately RMB2,894.8 million, and therefore the gearing ratio is 10.9%.

Capital Expenditures

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

	For the six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Purchases of property, plant and equipment	95,216	55,564
Purchases of other intangible assets	14,162	2,948
Total	109,378	58,512

Contingent Liabilities

As of June 30, 2024, we did not have any material contingent liabilities.

Significant Investments and Future Plans for Material Investments or Capital Assets

As of June 30, 2024, we did not hold any significant investment. In addition, save for the expansion plans as disclosed in the sections headed “Business” and “Future Plans and Use of Proceeds” in the prospectus of our Company dated June 29, 2021 (the “**Prospectus**”), we have no future plans for material investments or capital assets.

Material Acquisitions and Disposals

For the six months ended June 30, 2024, we did not conduct any material acquisitions or disposals of subsidiaries, associates or joint ventures.

Charges on Group Assets

As of June 30, 2024, we did not have any charged assets.

Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2024.

Employees

As of June 30, 2024, we had 3,193 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, respectively. As of June 30, 2024, options to subscribe for 4,267,180 Shares, representing approximately 0.44% of the total issued share capital of the Company (excluding treasury shares) as of the date of this announcement, were outstanding and held by the grantees. On June 22, 2021, the Company also adopted the post-IPO restricted share unit scheme (the “**Post-IPO RSU Scheme**”) and post-IPO share option scheme (the “**Post-IPO Option Scheme**”), of which our employees are eligible participants, effective upon July 16, 2021 on which dealings in the shares of the Company first commenced on the Stock Exchange. Details of the Post-IPO RSU Scheme and the Post-IPO Option Scheme are set out in the sections headed “Statutory and General Information – E. Post-IPO RSU Scheme” and “Statutory and General Information – F. Post-IPO Option Scheme” in Appendix IV to the Prospectus. As of June 30, 2024, no restricted share unit or option had been granted or agreed to be granted under the Post-IPO RSU Scheme or Post-IPO Option Scheme, respectively.

Significant Events after the Reporting Period

There are no material events subsequent to June 30, 2024 and up to the date of this announcement which could have a material impact on our operating and financial performance.

Use of Proceeds from the Global Offering

The Shares were listed on the Stock Exchange on July 16, 2021. The net proceeds from the Global Offering (after deduction of underwriting commissions and other expenses paid and payable by the Company in connection with the Global Offering) amounted to approximately HK\$2,053.6 million. The net proceeds from the Global Offering (adjusted on a pro-rata basis based on the actual net proceeds) have been and will continue to be utilized in accordance with the intended use of the proceeds as set out in the Prospectus. The following table sets forth the status of the use of net proceeds from the Global Offering⁽¹⁾:

Intended use of proceeds	Percentage of intended use of proceeds (%)	Intended use of proceeds from the Global Offering (In HK\$ millions)	Unutilized net proceeds as of January 1, 2024 (In HK\$ millions)	Actual Amount of use for the six months ended June 30, 2024 (In HK\$ millions)	Unutilized net proceeds as of June 30, 2024 (In HK\$ 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	200.4	117.8	190.2	By June 30, 2025
Sales, marketing and expansion of genetic diseases and rare diseases and maternity-related testing business	10	205.4	162.7	44.7	160.7	By June 30, 2025
Sales, marketing and expansion of oncology, infectious disease and neurology testing businesses	10	205.4	137.1	73.4	132.0	By June 30, 2025
Research and development of our existing esoteric testing service lines						
Research and development of hematology testing	6.7	136.9	33.0	109.5	27.4	By June 30, 2025
Research and development of genetic diseases and rare diseases and maternity-related testing	6.7	136.9	18.0	119.6	17.3	By June 30, 2025
Research and development of neurology, infectious disease, oncology and routine testing	6.7	136.9	120.7	73.1	63.8	By June 30, 2025
Development and commercialization of new lines of esoteric testing services	15	308.0	237.4	110.7	197.2	By June 30, 2025
Expansion across the industry value chain by acquiring attractive technology or testing-related companies that are complementary and synergistic to our existing businesses	5	102.7	76.0	84.9	17.8	By June 30, 2025
Increasing our testing capacity	10	205.4	33.8	196.5	8.9	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	142.7	109.2	96.2	–
Total	100.0	2,053.6	1,264.5	1,039.4	1,014.3	

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 People's Republic of China. We will make an appropriate announcement if there is any change to the above proposed uses of proceeds or if any amount of the proceeds will be used for general corporate purpose.

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

For the six months ended 30 June 2024

	<i>Notes</i>	For the six months ended 30 June 2024 RMB'000 (Unaudited)	For the six months ended 30 June 2023 RMB'000 (Unaudited)
REVENUE	4	473,335	492,760
Cost of sales		<u>(247,545)</u>	<u>(248,840)</u>
Gross profit		225,790	243,920
Other income and gains		54,889	81,179
Selling and marketing expenses		(147,923)	(159,588)
Administrative expenses		(46,767)	(49,250)
Research and development costs		(48,401)	(52,784)
Other expenses		(17,840)	(13,528)
Finance costs		<u>(4,679)</u>	<u>(3,249)</u>
PROFIT BEFORE TAX		15,069	46,700
Income tax expense	6	<u>(4,541)</u>	<u>(3,212)</u>
PROFIT FOR THE PERIOD		<u>10,528</u>	<u>43,488</u>
Attributable to:			
Owners of the parent		11,895	43,982
Non-controlling interests		<u>(1,367)</u>	<u>(494)</u>
		<u>10,528</u>	<u>43,488</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the financial statements of the Company		<u>25,141</u>	<u>53,239</u>
Other comprehensive income for the period, net of tax		<u>25,141</u>	<u>53,239</u>

		For the six months ended 30 June 2024 RMB'000 (Unaudited)	For the six months ended 30 June 2023 RMB'000 (Unaudited)
Total comprehensive income for the period, net of tax		35,669	96,727
Attributable to:			
Owners of the parent		37,036	97,221
Non-controlling interests		(1,367)	(494)
		35,669	96,727
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)			
– For profit for the period	7	1.25 cent	4.31 cent
Diluted (RMB)			
– For profit for the period	7	1.24 cent	4.25 cent

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

		30 June 2024	31 December 2023
	<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	583,633	437,033
Right-of-use assets		47,633	41,269
Prepayments, deposits and other receivables	11	30,217	90,679
Other intangible assets		31,243	31,335
Time deposits	12	440,000	10,000
Investments in associates		5,673	5,950
Deferred tax assets		62,383	54,385
Financial assets at FVTPL	13	337,163	280,482
Goodwill		9,497	9,497
		1,547,442	960,630
Total non-current assets			
CURRENT ASSETS			
Inventories		50,497	48,701
Trade and bills receivables	10	588,410	566,561
Prepayments, deposits and other receivables	11	74,535	44,832
Amounts due from related parties		21,708	13,480
Time deposits (more than 3 months)	12	954,902	552,450
Pledged deposits		638	9,756
Cash and cash equivalents		591,146	1,472,799
		2,281,836	2,708,579
Total current assets			
CURRENT LIABILITIES			
Trade and bills payables	14	180,635	221,740
Other payables and accruals	15	311,088	313,685
Contract liabilities		8,856	11,924
Interest-bearing bank borrowings	16	247,051	152,900
Profit tax payable		12,985	1,322
Amounts due to related parties		30,006	23,374
Lease liabilities		18,445	12,132
Deferred tax liabilities		4,265	5,772
Contingent consideration		–	922
		813,331	743,771
Total current liabilities			
NET CURRENT ASSETS		1,468,505	1,964,808
TOTAL ASSETS LESS CURRENT LIABILITIES		3,015,947	2,925,438

		30 June 2024	31 December 2023
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Deferred income		889	1,201
Interest-bearing bank borrowings	16	69,000	–
Lease liabilities		29,435	29,256
		<hr/>	<hr/>
Total non-current liabilities		99,324	30,457
		<hr/>	<hr/>
Net assets		2,916,623	2,894,981
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital and treasury shares	17	1,527	1,543
Reserves		2,893,224	2,870,449
		<hr/>	<hr/>
		2,894,751	2,871,992
Non-controlling interests		21,872	22,989
		<hr/>	<hr/>
Total equity		2,916,623	2,894,981
		<hr/> <hr/>	<hr/> <hr/>

1. CORPORATE INFORMATION

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

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting”. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2023.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following new and revised International Financial Reporting Standards (“**IFRSs**”) for the first time for the current period’s financial information.

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> <i>(the “2020 Amendments”)</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i> <i>(the “2022 Amendments”)</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

The new or amended IFRSs that are effective from 1 January 2024 did not have any significant impact on the Group’s accounting policies.

3. OPERATING SEGMENT INFORMATION

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

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

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

For the six months ended 30 June 2024
(Unaudited)

Segments	Hematology Testing <i>RMB'000</i>	Genetic diseases and rare diseases <i>RMB'000</i>	Infectious diseases <i>RMB'000</i>	Oncology <i>RMB'000</i>	Neurology <i>RMB'000</i>	Maternity- related diseases <i>RMB'000</i>	Routine testing <i>RMB'000</i>	CROs and R&D project <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:										
Sales to external customers	297,919	23,635	23,659	10,972	49,154	25,003	21,064	8,224	13,705	473,335
Segment results:	<u>69,082</u>	<u>3,045</u>	<u>2,835</u>	<u>1,702</u>	<u>7,316</u>	<u>727</u>	<u>156</u>	<u>1,533</u>	<u>(8,529)</u>	<u>77,867</u>

Reconciliation:

Other income and gains										54,889
Administrative expenses										(46,767)
Research and development costs										(48,401)
Other expenses										(17,840)
Finance costs										(4,679)

Group's profit before tax 15,069

For the six months ended 30 June 2023
(Unaudited)

Segments	Hematology Testing <i>RMB'000</i>	Genetic diseases and rare diseases <i>RMB'000</i>	Infectious diseases <i>RMB'000</i>	Oncology <i>RMB'000</i>	Neurology <i>RMB'000</i>	Maternity- related diseases <i>RMB'000</i>	COVID-19 related testing <i>RMB'000</i>	Routine testing <i>RMB'000</i>	CROs and R&D project <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:											
Sales to external customers	296,858	23,082	28,928	25,147	48,960	26,002	7,929	28,753	6,553	548	492,760
Segment results:	<u>67,636</u>	<u>2,810</u>	<u>4,204</u>	<u>3,111</u>	<u>6,727</u>	<u>168</u>	<u>271</u>	<u>264</u>	<u>836</u>	<u>(1,695)</u>	<u>84,332</u>

Reconciliation:

Other income and gains											81,179
Administrative expenses											(49,250)
Research and development costs											(52,784)
Other expenses											(13,528)
Finance costs											(3,249)

Group's profit before tax 46,700

Geographical information

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

Information about major customers

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

4. REVENUE

An analysis of revenue is as follows:

Revenue from contracts with customers

(i) *Disaggregated revenue information*

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Types of services		
Clinical testing service – at a point in time	465,111	486,207
Testing services for R&D projects and others – over time	8,224	6,553
Total revenue from contracts with customers	<u>473,335</u>	<u>492,760</u>

(ii) *Performance obligations*

Clinical Testing Service

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

Testing services for R&D projects and others

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

5. PROFIT BEFORE TAX

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

	<i>Notes</i>	For the six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Cost of inventories sold		–	4,107
Cost of services provided		247,545	248,840
Depreciation of property, plant and equipment	9	21,219	25,191
Depreciation of right-of-use assets		10,991	7,120
Amortisation of other intangible assets		2,808	2,441
Research and development costs		48,401	52,784
Auditor's remuneration		500	500
Employee benefit expense (including director's benefit)			
Salaries and other benefits		154,570	164,627
Pension scheme contributions, social welfare and other welfare		22,580	21,939
		<hr/>	<hr/>
Lease payments not included in the measurement of lease liabilities		7,336	5,416
Bank interest income		(42,222)	(36,883)
Finance costs		4,679	3,249
Foreign exchange losses, net		521	2,088
Other income from financial assets at FVTPL		(3,497)	(1,514)
Fair value changes on financial assets at FVTPL		966	(5,649)
Fair value gains on contingent consideration		(922)	(4,844)
Losses on disposal of items of property, plant and equipment		362	110
Impairment losses on financial assets under ECL model	10	11,310	2,020
Write-down of inventories to net realisable value		777	875
		<hr/> <hr/>	<hr/> <hr/>

6. INCOME TAX

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

Cayman Islands

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

Singapore

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

Hong Kong

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

Mainland China

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

	Notes	2024	2023
Entity			
Wuhan Kindstar	1	15%	15%
Beijing Hightrust	2	15%	15%
Shanghai SimpleGene	3	15%	15%
Xinjiang Kindstar	4	15%	15%
Huaxi kindstar	4	15%	15%
Chengdu Shengyuan	4	15%	15%
Wenjiang Kangshenyou	4, 5	15%	15%
SinoPath	6	15%	15%

Notes:

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

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

	For the six months ended 30 June	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Current income tax	11,822	8,736
Under provision in prior years	2,224	903
Deferred income tax	<u>(9,505)</u>	<u>(6,427)</u>
Total tax charge for the period	<u>4,541</u>	<u>3,212</u>

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 950,752,346 (2023: 954,884,630) in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the exercise of certain batch of share options. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period ended 30 June 2023 and 2024, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of basic profit per share is based on:

	For the six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Profit		
Profit attributable to ordinary equity holders of the parent (RMB'000)	11,895	43,982
<u>Ordinary shares</u>		
Weighted average number of ordinary shares in issue during the period used in the basic profit per share calculation	<u>950,752,346</u>	<u>954,884,630</u>
<u>Effect of dilutive potential ordinary shares:</u>		
Share options	<u>4,725,148</u>	<u>13,561,209</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	955,477,494	968,445,839
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
– Basic	1.25 cent	4.31 cent
– Dilute	1.24 cent	4.25 cent

8. DIVIDENDS

The final dividend in respect of 2023 of HK\$0.0284 per share, totaling approximately HK\$28,000,000 was approved at the Annual General Meeting on 5 June 2024 and was paid in cash on 29 August 2024.

The Board of Directors has resolved not to declare an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: nil)

9. 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>
30 June 2024 (Unaudited)							
At 1 January 2024							
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	<u>221,718</u>	<u>109,614</u>	<u>2,228</u>	<u>15,305</u>	<u>55,370</u>	<u>32,798</u>	<u>437,033</u>
At 1 January 2024, net of accumulated depreciation							
Additions	80	8,729	-	788	5,273	161,651	176,521
Transfer	178,223	-	-	-	4,534	(182,757)	-
Disposals	-	(5,717)	-	(160)	(2,825)	-	(8,702)
Acquisition of a subsidiary	-	-	-	-	-	-	-
Depreciation provided during the period	(3,818)	(8,806)	(330)	(2,881)	(5,384)	-	(21,219)
At 30 June 2024, net of accumulated depreciation	<u>396,203</u>	<u>103,820</u>	<u>1,898</u>	<u>13,052</u>	<u>56,968</u>	<u>11,692</u>	<u>583,633</u>
At 30 June 2024:							
Cost	411,262	311,955	6,657	43,058	138,164	11,692	922,788
Accumulated depreciation	(15,059)	(208,135)	(4,759)	(30,006)	(81,196)	-	(339,155)
Net carrying amount	<u>396,203</u>	<u>103,820</u>	<u>1,898</u>	<u>13,052</u>	<u>56,968</u>	<u>11,692</u>	<u>583,633</u>

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

At 30 June 2024, certain of the Group's buildings with a net carrying amount of approximately RMB154,472,000 was pledged to secure general banking facilities granted to the Group (note 16).

10. TRADE AND BILLS RECEIVABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade receivables	660,318	627,476
Bills receivable	635	354
Total	<u>660,953</u>	<u>627,830</u>
Allowance for expected credit losses	(72,543)	(61,269)
Total	<u>588,410</u>	<u>566,561</u>

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 minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 year	229,235	210,202
1 year to 2 years	221,334	278,199
2 years to 3 years	92,056	31,306
3 years to 4 years	26,376	24,826
4 years to 5 years	14,023	17,590
Over 5 years	5,386	4,438
Total	<u>588,410</u>	<u>566,561</u>

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
At beginning of periods	61,269	63,390
Impairment losses, net	11,310	1,238
Amount written off as uncollectible	(36)	(3,359)
At end of periods	<u>72,543</u>	<u>61,269</u>

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

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

	As at 30 June 2024		
	Amount	Expected	Impairment
	<i>RMB'000</i>	loss rate	<i>RMB'000</i>
	(Unaudited)	%	(Unaudited)
Individually assessed:	42,205	55.03	23,226
Measured by provision matrix:			
Within 1 year	232,935	1.86	4,336
1 year to 2 years	226,651	3.07	6,967
2 years to 3 years	95,591	8.71	8,324
3 years to 4 years	29,854	29.28	8,740
4 years to 5 years	16,335	37.96	6,200
Over 5 years	16,747	88.08	14,750
Total	660,318		72,543

	As at 31 December 2023		
	Amount	Expected	Impairment
	<i>RMB'000</i>	loss rate	<i>RMB'000</i>
	(Audited)	%	(Audited)
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
Total	627,476		61,269

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Deposits and other receivables (current)	59,469	33,082
Prepayments		
– current	12,301	8,422
– non-current	15,320	85,485
Value-added tax recoverable		
– current	2,419	1,457
– non-current**	14,897	5,194
Prepaid expenses (current)	347	1,871
Total	104,753	135,511

Analysed into:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Current portion	74,536	44,832
Non-current portion*	30,217	90,679
Total	104,753	135,511

The balances are not secured by collateral.

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

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

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

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

12. TIME DEPOSITS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Time deposits – current (more than 3 months)	954,902	552,450
Time deposits – non-current (more than 1 year)	<u>440,000</u>	<u>10,000</u>
Total	<u>1,394,902</u>	<u>562,450</u>

As at 30 June 2024, time deposits represent deposits over one year of the Group amounted to RMB440,000,000 carried the fixed interest rate ranged from 2.45% to 3.38% per annum with maturity from July 2025 to May 2027.

Current time deposits represent deposits over 3 months but less than one year. As at 30 June 2024, RMB954,902,000 of non-current time deposits carried fixed interest rates ranging from 1.90% to 5.95% per annum.

13. FINANCIAL ASSETS AT FVTPL

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Investment in unlisted funds *	<u>337,163</u>	<u>280,482</u>
Financial assets at FVTPL -non current	<u>337,163</u>	<u>280,482</u>

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

14. TRADE AND BILLS PAYABLES

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 year	115,357	163,476
1 year to 2 years	45,309	52,277
Over 2 years	<u>12,450</u>	<u>5,987</u>
Total	<u>180,635</u>	<u>221,740</u>

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

15. OTHER PAYABLES AND ACCRUALS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Accruals	129,391	136,056
Payroll payable	137,368	141,056
Other payables*	<u>44,329</u>	<u>36,573</u>
Total	<u><u>311,088</u></u>	<u><u>313,685</u></u>

* *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.*

16. 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	<u>152,900</u>

	As at 30 June 2024		
	Effective interest rate per annum %	Maturity	RMB'000
Current			
Bank borrowings – credit*	2.75-3.45	2024-2025	246,000
Non-current			
Bank borrowings – secured and guaranteed	3.75	2024-2034	<u>70,000</u>
			<u><u>316,000</u></u>

Analysed into:

	30 June 2024 RMB'000	31 December 2023 RMB'000
Bank borrowings repayable:		
Within one year	247,000	152,900
In the second year	1,000	–
In the third to fifth year, inclusive	21,000	–
Beyond five years	<u>47,000</u>	–
	<u><u>316,000</u></u>	<u><u>152,900</u></u>

* In November 2023 and January 2024, Wuhan Kindstar, a subsidiary of the Company, entered into one-year credit loan agreements of RMB162,900,000 with Wuhan Branch of China Merchants Bank. In January 2024, Wuhan Kindstar repaid the loans amounted to RMB14,900,000. During March 2024 to June 2024, Wuhan Kindstar entered into one-year credit loan agreements of RMB78,000,000 with Wuhan Branch of Shanghai Pudong Development Bank.

In December 2023, Kindstar Zhenyuan, another subsidiary of the company, entered into an one-year credit loan agreement of RMB10,000,000 with Wuhan Bio-City Branch of China Merchants Bank. In February 2024, Kindstar Zhenyuan entered into an one-year credit loan agreement of RMB10,000,000 with Wuhan Free Trade Zone Branch of Industrial Bank.

In February 2024, Kindstar Shanghai, a subsidiary of the Company, entered into a ten-year bank loans agreement of RMB70,000,000 with Nanshi Branch of Shanghai Pudong Development Bank, which was guaranteed by Wuhan Kindstar and Sinopath and was secured by mortgages over the Kindstar Shanghai's buildings, which had a net carrying value at the end of the reporting period of approximately RMB154,472,000.

17. SHARE CAPITAL/TREASURY SHARES

Issued and fully paid

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Issued and fully paid:		
980,468,696 (2023: 986,308,104) ordinary shares	1,588	1,599

Treasury Shares

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Shares repurchased:		
35,751,500 (2023: 32,003,000) treasury shares (notes)	61	55

Notes:

- i. Pursuant to the board resolution passed on 5 November 2021, the Company announced to exercise its power under the repurchase mandate to repurchase shares of the Company. A total of 7,973,000 shares were repurchased by the Company at a total consideration of HK\$12,624,000 (equivalent to approximately RMB11,475,000) during the six months ended 30 June 2024, among which 6,257,000 shares had been cancelled and the remaining 1,716,000 shares are held as treasury shares.
- ii. Pursuant to the board resolution passed on 22 June 2021, the Company may transfer to a trustee, a special purpose vehicle established for share incentives, the necessary funds and instruct the trustee to acquire shares of the Company through on market transactions at the prevailing market price, so as to satisfy the post-IPO restricted share units plan ("Post-IPO RSU Scheme"). A total of 2,289,500 shares were repurchased by the Company at a total consideration of HK\$3,666,000 (equivalent to approximately RMB3,333,000) during the six months ended 30 June 2024. As at 30 June 2024, an aggregate of 34,035,500 ordinary shares were repurchased for purpose of the Post-IPO RSU Scheme, which were recorded as treasury shares in the consolidated statement of financial position as at 30 June 2024.

18. STOCK INCENTIVE PLANS

i. Pre-IPO Stock Incentive Plans

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

Details of Pre-IPO Scheme granted are as follows:

Grant date	Number of options	Expiry date	Exercise price per share	Notes
15 March 2013	4,576,229	14 March 2023	\$0.03	(i)
31 December 2013	8,608,131	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. All options has been exercised before 14 March 2023.
- (ii) 100% of the total number of the options granted shall vest immediately after grant date.

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

The following share options were outstanding during the reporting periods:

	30 June 2024		31 December 2023	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At the beginning of period/year	0.17	5,081,772	0.14	14,987,592
Exercised during the period/year	0.18	814,592	0.12	9,777,820
Forfeited during the period/year	–	–	0.06	128,000
At the end of period	0.17	4,227,180	0.17	5,081,772
Exercisable at the end of the period/year		<u>4,227,180</u>		<u>5,081,772</u>

The weighted average share price at the date of exercise for share options exercised during the period was HK\$1.59 per share (2023: HK\$1.93 per share).

ii. Post-IPO RSU Scheme

None shares had been granted under the post-IPO RSU scheme during the reporting period.

19. COMMITMENTS

The Group had the following capital commitments at 30 June 2024 and 31 December 2023:

	30 June 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Property, plant and equipment	15,385	92,947
Fund investments	194,700	28,084
Equity investments	31,876	114,330
	<hr/>	<hr/>
Total	241,961	235,361
	<hr/> <hr/>	<hr/> <hr/>

20. EVENTS AFTER THE REPORTING PERIOD

Kindstar Global Wuhan entered into a equity transfer agreement and a supplemental equity transfer agreement, pursuant to which Kindstar Global Wuhan has agreed to conditionally acquire a total of approximately 11.38% equity interest in Beijing Bofurui Gene Diagnostic Technology Co., Ltd. at a total consideration of RMB31,876,000.

OTHER INFORMATION

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

For the six months ended June 30, 2024, the Company repurchased a total of 7,973,000 Shares (the “**Shares Repurchased**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) at an aggregate consideration of approximately HK\$12.6 million (inclusive of transaction fees such as brokerage fee, stamp duty and transaction levy). 6,257,000 of the Shares Repurchased were subsequently cancelled and the remaining 1,716,000 of the Shares Repurchased are held as treasury shares. The repurchase of shares was effected because the Board considered that a share repurchase in the then conditions demonstrated the Company's confidence in its own business outlook and prospects and would, in the long term, benefit the Company and create value to the Shareholders.

Particulars of the Shares Repurchased for the six months ended June 30, 2024 are as follows:

Month of repurchase	No. of Shares repurchased	Highest price paid per Share (HK\$)	Lowest price paid per Share (HK\$)	Aggregate consideration ^(Note) (HK\$'000)
January	859,500	1.77	1.51	1,414
March	120,500	1.48	1.43	178
April	2,216,500	1.6	1.44	3,390
May	2,876,500	1.67	1.52	4,618
June	1,900,000	1.67	1.55	3,024
Total	7,973,000	1.77	1.43	12,624

Note: Total consideration that is inclusive of transaction fees such as brokerage fee, stamp duty and transaction levy.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company listed securities (whether on the Stock Exchange or otherwise) for the six months ended June 30, 2024. As at June 30, 2024, the Company had 1,716,000 treasury shares (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) which are intended to be used for purposes such as employee incentives, sale or transfer to obtain liquid funds, etc. subject to the actual decision-making by the Board.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its affairs are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all Shareholders. The Company has applied the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix C1 of the Listing Rules.

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 as explained below.

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as the Group’s code of conduct regarding the Directors’ securities transactions. Having made specific enquiry of all the Directors, all the Directors confirmed that they have strictly complied with the Model Code during the Reporting Period.

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

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

The Audit Committee has reviewed the Group’s unaudited interim financial information for the six months ended June 30, 2024. The Audit Committee has also reviewed the accounting principles adopted by the Group and discussed auditing, internal control, risk management and financial reporting matters.

In addition, the Company’s external auditor, Ernst & Young, has performed an independent review of the Group’s interim financial information for the six months ended June 30, 2024 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. Based on their review, Ernst & Young confirmed that nothing has come to their attention that causes them to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting.”

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.kindstar.com.cn). The interim report of the Company for the six months ended June 30, 2024 containing all the information required by the Listing Rules will be published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, August 28, 2024

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