康圣环球
Kindstar Global

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)

(1) DISCLOSEABLE TRANSACTION – ACQUISITION OF EQUITY INTEREST IN THE TARGET COMPANIES INVOLVING ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE; AND (2) THE NEW TARGET CONTRACTUAL ARRANGEMENTS

THE ACQUISITIONS

The Board is pleased to announce that on September 20, 2024, the Company, Kindstar Wuhan WFOE, the Target WFOE, the Target US Company, AnchorDx Cayman, AnchorDx HK, the Target WFOE Domestic Sellers, Wuxi Anchor, OrbiMed, Jian-Bing FAN and the AnchorDx Cayman Preferred Shareholders (except Wuxi Anchor and OrbiMed) entered into the Transaction Agreement, pursuant to which: (i) Kindstar Wuhan WFOE has conditionally agreed to acquire and AnchorDx HK and the Target WFOE Domestic Sellers have conditionally agreed to sell 100% equity interest in aggregate in the Target WFOE; and (ii) the Company has conditionally agreed to acquire and AnchorDx HK has conditionally agreed to sell 100% equity interest in the Target US Company, collectively at the Acquisition Consideration in the total amount of approximately US$31.30 million.

The Acquisition Consideration will be satisfied by the Group by way of: (i) cash payments in US$ or RMB (as the case may be) by Kindstar Wuhan WFOE to AnchorDx HK and the Target WFOE Domestic Sellers, using the Group's bank borrowings and net proceeds from the Global Offering designated for "Expansion across the industry value chain by acquiring attractive technology or testing-related companies that are complementary and synergistic to our existing businesses" and (ii) allotment and issuance of the Consideration Shares by the Company to Wuxi Anchor and OrbiMed at the Consideration Share Price under the General Mandate.

THE NEW CONTRACTUAL ARRANGEMENTS

Pursuant to the applicable PRC laws, rules and regulations, the operation of medical institutions, including the provision of esoteric clinical testing services in the PRC, is either restricted to sino-foreign ownership ("**Restricted Business**") or completely prohibits foreign ownership ("**Prohibited Business**"), and the Qualification Requirement is imposed on the relevant foreign owners (where applicable). The Target VIE Group Entities are principally engaged in the provision of clinical oncology testing services (being one of the types of esoteric clinical testing services) which is a Prohibited Business (the "**Prohibited Business Activities**"). Accordingly, the Target WFOE controls (and obtains the economic benefits of) the Target VIE Group Entities by way of the Existing Target Contractual Arrangements entered into between the Target WFOE, the Target VIE Operating Entity and the existing Target VIE Registered Shareholders.

In view of the Acquisitions, the Existing Target Contractual Arrangements are intended to be terminated in their entirety, and, in substitution, the New Target Contractual Arrangements will be entered into between the Target WFOE, the Target VIE Operating Entity and the new Target VIE Registered Shareholders before the Completion. Pursuant to the New Target Contractual Arrangements, the Target WFOE shall continue to control (and obtain the economic benefits of) the Target VIE Group Entities.

LISTING RULES IMPLICATIONS

The Acquisitions

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Transaction Agreement and the Acquisitions contemplated thereunder are more than 5% but all applicable percentage ratios are less than 25%, it constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The New Contractual Arrangements

Subject to the finalization of the identities of the new Target VIE Registered Shareholders, and the corresponding Listing Rules implications arising therefrom and in connection therewith (including but not limited to any implications under Chapter 14 of the Listing Rules), the Company will make further announcements as necessary in relation to the New Target Contractual Arrangements and the new Target VIE Registered Shareholders.

THE ACQUISITIONS

The Board is pleased to announce that on September 20, 2024, the Company, Kindstar Wuhan WFOE, the Target WFOE, the Target US Company, AnchorDx Cayman, AnchorDx HK, the Target WFOE Domestic Sellers, Wuxi Anchor, OrbiMed, Jian-Bing FAN and the AnchorDx Cayman Preferred Shareholders (except Wuxi Anchor and OrbiMed) entered into the Transaction Agreement, pursuant to which: (i) Kindstar Wuhan WFOE has conditionally agreed to acquire and AnchorDx HK and the Target WFOE Domestic Sellers have conditionally agreed to sell 100% equity interest in aggregate in the Target WFOE; and (ii) the Company has conditionally agreed to acquire and AnchorDx HK has conditionally agreed to sell 100% equity interest in the Target US Company, collectively at the Acquisition Consideration in the total amount of approximately US$31.30 million.

THE TRANSACTION AGREEMENT

The principal terms of the Transaction Agreement are as follows:

Date

September 20, 2024

Parties

(1) the Company;

(2) Kindstar Wuhan WFOE;

(3) the Target WFOE;

(4) the Target US Company;

(5) AnchorDx HK;

(6) AnchorDx Cayman;

(7) the Target WFOE Domestic Sellers;

(8) Wuxi Anchor;

(9) OrbiMed;

(10) Jian-Bing FAN; and

(11) the AnchorDx Cayman Preferred Shareholders (except Wuxi Anchor and OrbiMed).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Target WFOE, the Target VIE Group Entities, the Target US Company, AnchorDx Cayman, AnchorDx HK, the Target WFOE Domestic Sellers, Wuxi Anchor, OrbiMed, Jian-Bing FAN and the AnchorDx Cayman Preferred Shareholders (except Wuxi Anchor and OrbiMed) and their respective ultimate beneficial owners is a third party independent of the Company and its connected persons.

Subject Matter

Kindstar Wuhan WFOE has conditionally agreed to acquire and AnchorDx HK and the Target WFOE Domestic Sellers have conditionally agreed to sell the equity interest in the Target WFOE, and the Company has conditionally agreed to acquire and AnchorDx HK has conditionally agreed to sell the equity interest in the Target US Company, as set out below:

Name of Seller	Proportion of the total issued shares of the Target WFOE to be transferred	Proportion of the total issued shares of the Target US Company to be transferred	Cash Consideration
AnchorDx HK	77.52%	100%	US$12,199,879
Guangzhou KingMed	1.84%	–	RMB4,814,880
Suzhou Frontline BioVentures	5.45%	–	RMB14,272,661
Suzhou 6Dimensions	5.45%	–	RMB14,272,661
Suzhou Serica Jianxin	2.54%	–	RMB6,673,713
WuXi App	2.76%	–	RMB7,222,319
Zhong Jianxin	4.44%	–	RMB11,620,458
Total:	100%	100%	US$12,199,879 and RMB58,876,692

In addition to the cash consideration as stated above, the Company has also conditionally agreed to allot and issue the Consideration Shares to Wuxi Anchor and OrbiMed at the Consideration Share Price of HK$1.42 per Share under the General Mandate as follows:

Name of recipient of Consideration Shares	**Number of Consideration Shares to be allotted and issued**
Wuxi Anchor	15,869,521
OrbiMed	43,561,835
Total:	59,431,356

The Consideration Share Price of HK$1.42 per Share represents:

(i) a premium of approximately 16.39% to the closing price of HK$1.22 per Share as quoted on the Stock Exchange on the date of the Transaction Agreement; and

(ii) a premium of approximately 27.47% to the average closing price of approximately HK$1.114 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Transaction Agreement.

The Consideration Share Price was determined after arm's length negotiation between the Company and the Sellers with reference to the prevailing market price of the Shares. The Directors consider that the Consideration Share Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions Precedent of the Acquisitions

The Completion is subject to (among other things) the following Conditions Precedent being fully satisfied on or before the Completion (except for the conditions that by their nature are to be satisfied at the Completion, but subject to such conditions being satisfied or waived at the Completion):

Conditions which may be waived by the relevant party(ies) to the Transaction Agreement who is/are so entitled

(a) there shall have been no applicable laws, temporary restraining order, preliminary or permanent injunction or other order issued by any governmental authority of competent jurisdiction rendering the transactions contemplated by the Transaction Agreement illegal or otherwise prohibiting such transactions;

(b) there shall have been no outstanding proceeding rendering the transactions contemplated by the Transaction Agreement illegal or otherwise having a material adverse effect on or prohibiting such transactions;

Conditions which may be waived by the Company in whole or in part (to the extent permitted by applicable law)

(c) the representations and warranties in respect of AnchorDx Cayman, AnchorDx HK, the Target WFOE Domestic Sellers, the AnchorDx Cayman Preferred Shareholders and Jian-Bing FAN as set forth in the Transaction Document shall be true and correct in all material respects (save for certain fundamental representations which shall be true and correct in all respects) as of the Completion Date;

(d) AnchorDx Cayman, AnchorDx HK, the Target WFOE Domestic Sellers and Jian-Bing FAN shall have performed and complied with, in all material respects, all agreements, obligations and conditions contained in the Transaction Document that are required to be performed or complied with by such party on or before the Completion;

(e) the equity transfer agreement evidencing the transfer of equity interest in the Target WFOE from AnchorDx HK and the Target WFOE Domestic Sellers to Kindstar Wuhan WFOE (as detailed above) (the "**Target WFOE Equity Transfer**") shall be duly executed;

(f) AnchorDx HK and each of the Target WFOE Domestic Sellers shall have transferred its respective equity interest in the Target WFOE to Kindstar Wuhan WFOE;

(g) the articles of association of the Target WFOE shall have been amended and restated to take into account of the Target WFOE Equity Transfer;

(h) all governmental procedures in connection with the Target WFOE Equity Transfer shall have been completed, and the Target WFOE shall have received a new business licence issued by the competent State Administration for Market Regulation of the PRC ("**SAMR**") or its local counterparts and a foreign exchange business registration certificate stamped by the State Administration of Foreign Exchange of the PRC or its local counterparts ("**SAFE**") (or a competent bank designated by SAFE);

(i) the parties to the Existing Target Contractual Arrangements shall have duly executed and delivered a termination agreement to terminate the Existing Target Contractual Arrangements, and to unconditionally and irrevocably release, waive and forever discharge each of the Target WFOE (and its subsidiaries) and the Target US Company of and from any and all claims arising from at or prior to the date of the termination agreement in relation to any event, action or omission arising out of or in connection with, among others, the Existing Target Contractual Arrangements;

(j) the share pledge created on the equity securities in the Target VIE Operating Entity shall have been cancelled;

(k) an equity transfer agreement evidencing the transfer of the applicable equity securities in the Target VIE Operating Entity to the person(s) designated by the Company shall have been duly executed by all shareholders of the Target VIE Operating Entity and the person(s) designated by the Company;

(l) each of the shareholders of the Target VIE Operating Entity shall have transferred its respective equity securities in the Target VIE Operating Entity to the person(s) designated by the Company free and clear of all encumbrances;

(m) the articles of association of the Target VIE Operating Entity shall have been amended and restated to take into account of the abovementioned transfer of securities in the Target VIE Operating Entity;

(n) the directors, supervisors, general manager and legal representative of the Target VIE Operating Entity nominated by the shareholders of the Target VIE Operating Entity shall have resigned or have been removed, and persons nominated by the Company shall have been elected or appointed as director(s), supervisor(s), general manager and legal representative of the Target VIE Operating Entity;

(o) all governmental procedures in connection with (k) to (n) above shall have been completed and the Target VIE Operating Entity shall have received a new business license issued by the competent SAMR;

(p) (A) the AnchorDx employee plan shall have been terminated, and each option granted thereunder that has not been exercised prior to the Completion Date, whether or not then vested or exercisable, shall have been cancelled and no consideration shall be delivered in exchange therefor; (B) each option that has been exercised prior to the Completion Date shall have been cancelled and the amounts paid by each holder of such option shall have been returned to such holder, and (C) each person that has been granted any option shall have ceased to have any rights with respect to such option;

(q) the Target VIE Operating Entity shall have submitted the application for completion of the project entitled "液體活檢和高通量測序技術研發及腫瘤分子診斷產品開發(第一期)" with the relevant governmental authority;

(r) AnchorDx HK shall have executed and delivered to the Company written instruments, pursuant to which AnchorDx HK: (i) waives all rights and privileges it had, has or may have in respect of certain loan provided by AnchorDx HK to the Target VIE Operating Entity and releases and forever discharges Target VIE Operating Entity of and from any and all debts and liabilities under such loan; and (ii) consents to convert all outstanding amount under certain loan provided by AnchorDx HK to the Target WFOE into equity interest in the Target WFOE within a commercially reasonable period of time upon written request by the Company;

(s) AnchorDx Cayman, AnchorDx HK, the Target WFOE and the Target VIE Operating Entity shall have collectively executed and delivered to the Company a written instrument that sets off and discharges any and all outstanding debts and liabilities incurred up to the Completion Date owed by one of such parties to any of the other parties;

(t) Jian-Bing FAN and certain employees as specified in the Transaction Agreement shall have executed written employment-related agreements with the applicable Target WFOE (and its subsidiaries) and the Target US Company;

(u) there shall have been no event, circumstance, development, change or effect that, individually or in the aggregate, has or would reasonably be expected to have a material adverse effect on (A) the business, properties, assets, liabilities, operations, results of operations or financial condition of the Target WFOE (and its subsidiaries) and the Target US Company, taken as a whole, or (B) the authority or ability of AnchorDx HK, the Target WFOE or the Target US Company to perform its obligations under the Transaction Agreement;

(v) the listing of, and permission to deal in, the Consideration Shares shall have been granted by the Stock Exchange and not subsequently revoked prior to the Completion;

(w) the Company shall have obtained all relevant approvals from the existing shareholders (to the extent required) and applicable governmental authority necessary for the sign, delivery and performance of the Transaction Agreement and any other transaction document to which it is a party and the transactions contemplated thereby, and the same shall not have been withdrawn or revoked;

(x) AnchorDx Cayman, AnchorDx HK, the Target WFOE Domestic Sellers and Jian-Bing FAN shall have delivered to the Company compliance certificate(s) dated the Completion Date and signed by their respective authorized representative, certifying that certain conditions as specified in the Transaction Agreement have been fulfilled;

(y) each of AnchorDx Cayman, AnchorDx HK, the Target WFOE Domestic Sellers, the Target WFOE (and its subsidiaries) and the Target US Company shall have obtained all applicable approvals required to be obtained by such party which are necessary for the execution, delivery and performance of the Transaction Agreement and any other transaction document to which it is a party and the transactions contemplated thereby, and the same shall not have been withdrawn or revoked;

Conditions which may be waived by AnchorDx HK or any applicable Target WFOE Domestic Sellers in whole or in part (to the extent permitted by applicable law)

(z) the representations and warranties in respect of the Company as set forth in the Transaction Document shall be true and correct in all material respects (save for certain fundamental representations which shall be true and correct in all respects) as of the Completion Date;

(aa) the Company shall have performed and complied with, in all material respects, all agreements, obligations and conditions contained in the Transaction Document that are required to be performed or complied with by such party on or before the Completion;

(bb) Kindstar Wuhan WFOE shall have obtained the financing sufficient to consummate the transactions contemplated by the Transaction Agreement;

(cc) the listing of, and permission to deal in, the Consideration Shares shall have been granted by the Stock Exchange and not subsequently revoked prior to the Completion;

(dd) the Company shall have obtained all relevant approvals from the existing shareholders (to the extent required), directors and applicable governmental authority for the sign, delivery and performance of the Transaction Agreement and any other transaction document to which it is a party and the transactions contemplated thereby, and the same shall not have been withdrawn or revoked; and

(ee) the Company shall have delivered to each of AnchorDx HK and the Target WFOE Domestic Sellers a compliance certificate, dated the Completion Date and signed by an authorized representative of the Company, certifying that certain conditions as specified in the Transaction Agreement have been fulfilled.

The Company has confirmed that conditions (w) and (x) above will not be waived. The Sellers have confirmed that conditions (dd) and (ee) above will not be waived.

The Completion and Payment of the Acquisition Consideration

The Completion shall take place no later than the 5th Business Day after the satisfaction or valid waiver of the Conditions Precedent.

Upon the Completion:

(i) Kindstar Wuhan WFOE shall pay the total cash consideration, being US$12,199,879 and RMB58,876,692, to AnchorDx HK and the Target WFOE Domestic Sellers (i.e. US$12,199,879 payable to AnchorDx HK, RMB4,814,880 payable to Guangzhou KingMed, RMB14,272,661 payable to Suzhou Frontline BioVentures, RMB14,272,661 payable to Suzhou 6Dimensions, RMB6,673,713 payable to Suzhou Serica Jianxin, RMB7,222,319 payable to WuXi App, and RMB11,620,458 payable to Zhong Jianxin); and

(ii) the Company shall issue, allot and deliver the Consideration Shares to Wuxi Anchor and OrbiMed (i.e. 15,869,521 Shares to Wuxi Anchor and 43,561,835 Shares to OrbiMed).

Immediately following the Completion and in any event no later than five Business Days following AnchorDx HK's receipt of its entitlement to the Acquisition Consideration, AnchorDx HK shall distribute such amount to each of the AnchorDx Cayman Preferred Shareholders and Jian-Bing FAN as set out in the Transaction Agreement.

Post-Completion Covenants

Pursuant to the Transaction Agreement, Jian-Bing FAN covenants that:

(a) commencing from the Completion and until the expiration of two years after he ceases to hold a position in the Target WFOE (and its subsidiaries) and the Target US Company, or directly or indirectly hold any equity securities therein (whichever is later), without the prior written consent of the Company, he will not and will not permit any of his affiliates to: (i) participate, assist, provide any service to, be concerned with, engaged or interested in, or hold any interest in, any business or entity in any manner which is in competition with the business carried on by the Target WFOE (and its subsidiaries) and the Target US Company; (ii) solicit in any manner any person who is or has been a customer, supplier, client or other business partner of any of the Target WFOE (and its subsidiaries) and the Target US Company for the purpose of offering to such person any goods or services similar to or competing with any of the businesses conducted by any of the Target WFOE (and its subsidiaries) and the Target US Company; or (iii) solicit or entice away, or endeavour to solicit or entice away, any director, officer or employee of any of the Target WFOE (and its subsidiaries) and the Target US Company;

(b) he shall cause the Target VIE Operating Entity to, as soon as possible but in any event no later than nine months after the Completion, submit the application for completion of the projects entitled "基於液體活檢高通量測序和人工智能輔助診斷技術開發和產業" and "食管癌高通量測序及人工智能輔助診斷系統的開發與應用";

(c) he shall, as soon as possible but in any event no later than June 30, 2025, execute a supplemental agreement with Southern Medical University (南方醫科大學), agreeing that all intellectual property rights of work products made by him resulted from tasks assigned to him by the Target VIE Operating Entity shall belong to the latter; and

(d) he shall, as soon as possible after the Completion, cause the Target VIE Operating Entity to execute a transfer agreement with Guangzhou National Laboratory (廣州國家實驗室) regarding patent application entitled "用於檢測肺結節的甲基化分子標記物及其應用" and to submit an application for change of applicants with China National Intellectual Property Administration (國家知識產權局).

Long Stop Date

The Transaction Agreement may be terminated by AnchorDx HK, any AnchorDx Cayman Preferred Shareholder, any Target WFOE Domestic Seller or the Company if the Completion has not occurred by the six-month anniversary of the date of the Transaction Agreement (the "**Long Stop Date**"), provided that any such party whose breach of any provision of the Transaction Agreement would give rise to the failure of the Completion to have been occurred by the Long Stop Date shall not have the right to terminate the Transaction Agreement.

BASIS OF DETERMINATION OF THE ACQUISITION CONSIDERATION

The Acquisition Considerations was determined after arm's length negotiation among the parties of the Transaction Agreement and with reference to: (i) the market value of 100% equity interest in the Target WFOE of approximately US$31.50 million as at the Basis Date, according to the valuation results prepared by the Independent Valuer based on the asset-based approach; (ii) the market value of 100% equity interest in the Target US Company of approximately US$410,000 as at the Basis Date, according to the valuation results prepared by the Independent Valuer based on the asset-based approach; and (iii) the reasons for and benefits of the Acquisitions as stated in the section headed "Reasons for and Benefits of the Acquisitions" below. Please refer to Appendix I to this announcement for details of the valuation results.

The Acquisition Consideration will be satisfied by the Group by way of: (i) cash payments in US$ or RMB (as the case may be) by Kindstar Wuhan WFOE to AnchorDx HK and the Target WFOE Domestic Sellers, using the Group's bank borrowings and net proceeds from the Global Offering designated for "Expansion across the industry value chain by acquiring attractive technology or testing-related companies that are complementary and synergistic to our existing businesses" and (ii) allotment and issuance of the Consideration Shares by the Company to Wuxi Anchor and OrbiMed at the Consideration Share Price under the General Mandate.

THE NEW TARGET CONTRACTUAL ARRANGEMENTS

Reasons for the New Target Contractual Arrangements

Pursuant to the applicable PRC laws, rules and regulations, the operation of medical institutions, including the provision of esoteric clinical testing services in the PRC, is either restricted to sino-foreign ownership or completely prohibits foreign ownership, and the Qualification Requirement is imposed on the relevant foreign owners (where applicable). The Target VIE Group Entities are principally engaged in the provision of clinical oncology testing services (being one of the types of esoteric clinical testing services) comprising the development and application of genetic diagnosis and treatment technologies, which, pursuant to the Special Management Measures for the Market Entry of Foreign Investment (Negative List) (2021 Version) (外商投資准入特別管理措施(負面清單) (2021年版)) (the "**Negative List**"), constitute a Prohibited Business. In addition, the Target VIE Group Entities are also engaged in the manufacturing of IVD products (the "**Non-Restricted Business Activities**"), which accounted for no more than approximately 2% of the total revenue of the Target VIE Group Entities for each of the three years ended 31 December 2023 and the four months ended 30 April 2024. Notwithstanding that the Non-Restricted Business is neither a Restricted Business nor a Prohibited Business under the Negative List, the Non-Restricted Business Activities are inseparable from the Prohibited Business Activities due to their overlapping assets and personnel. As such, all the business activities of the Target VIE Group

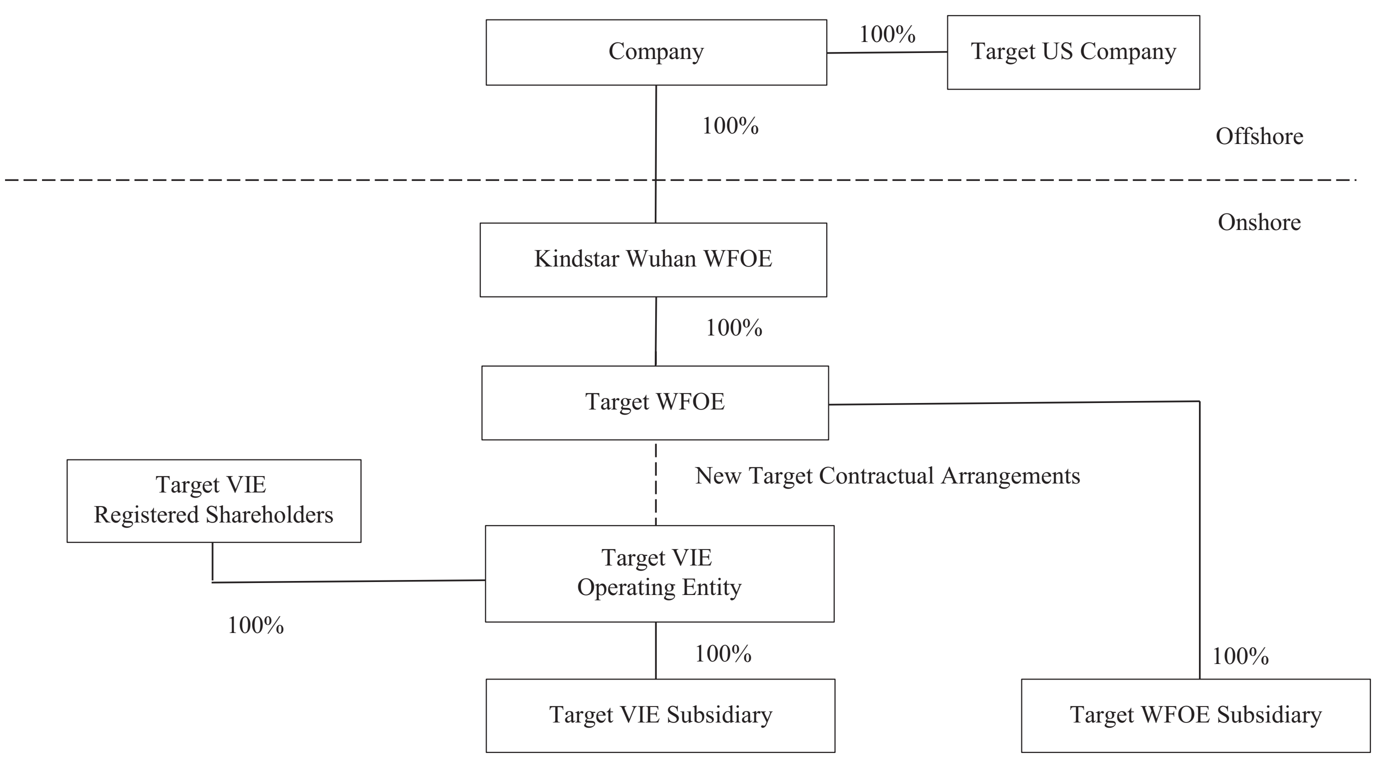
Entities (which consist of the Prohibited Business Activities and the Non-Restricted Business Activities) prohibit foreign ownership entirely, and have to be 100% operated and controlled through variable interest entity. Accordingly, the Target WFOE controls (and obtains the economic benefits of) the Target VIE Group Entities by way of the Existing Target Contractual Arrangements entered into between the Target WFOE, the Target VIE Operating Entity and the existing Target VIE Registered Shareholders.

In view of the Acquisitions, the Existing Target Contractual Arrangements are intended to be terminated in their entirety, and, in substitution, the New Target Contractual Arrangements will be entered into between the Target WFOE, the Target VIE Operating Entity and the new Target VIE Registered Shareholders before the Completion. Pursuant to the New Target Contractual Arrangements, the Target WFOE shall continue to control (and obtain the economic benefits of) the Target VIE Group Entities.

The terms and conditions of the New Target Contractual Arrangements duplicate, to the extent that is relevant and applicable, those of the Existing Listco Contractual Arrangements. As such, the terms and conditions of the New Target Contractual Arrangements are substantially the same as those of the Existing Listco Contractual Arrangements.

Details of the New Target Contractual Arrangements

The following simplified diagram regarding the shareholding structure of the Company after the Completion illustrates the flow of economic benefits from the Target VIE Group Entities to the Group under the New Target Contractual Arrangements:



The principal terms of the New Target Contractual Arrangements to be entered into are summarized as follows:

(a) Target VIE Exclusive Business Cooperation Agreement

As part of the New Target Contractual Arrangements, the Target WFOE and the Target VIE Operating Entity will enter into an exclusive business cooperation agreement (the "**Target VIE Exclusive Business Cooperation Agreement**"), pursuant to which the Target WFOE agrees to be engaged as the exclusive provider to the Target WFOE of technical support, consultation and other services for a monthly service fee, including the following services:

- the use of any relevant software, trademarks and know-hows legally owned by the Target WFOE;

- development, maintenance and updating of software and medical equipment in respect of the businesses of the Target VIE Operating Entity;

- design, installation, daily management, maintenance and updating of network systems, hardware and database;

- providing technical support and professional training services to relevant staff of the Target VIE Operating Entity;

- providing assistance in consultancy and research of relevant technology; and

- other services negotiated and specified from time to time, based on the actual business requirements of the Target VIE Operating Entity and the services capacity of the Target WFOE, to the extent permitted by PRC laws and regulations.

Under the Target VIE Exclusive Business Cooperation Agreement, the service fees shall be of reasonable prices in accordance with the scope and nature of the services, and shall consist of 100% of the total consolidated profit of the Target VIE Group Entities, after deduction of any accumulated deficit of the Target VIE Group Entities in the preceding financial year(s), working capital, expenses, taxes and other statutory contributions. Notwithstanding the foregoing, the Target WFOE may adjust the scope and amount of service fees according to PRC tax law and tax practices, and the Target VIE Group Entities shall accept such adjustments. The Target WFOE shall calculate the service fees on a monthly basis and issue a corresponding value-added tax invoice to the Target VIE Operating Entity, at the tax rate stipulated by current PRC laws regarding value-added tax. Notwithstanding the payment agreements in the Target VIE Exclusive Business Cooperation Agreement, the Target WFOE may adjust the payment time and payment method, and the Target VIE Operating Entity shall accept any such adjustment.

In addition, absent the prior written consent of the Target WFOE, during the term of the Target VIE Exclusive Business Cooperation Agreement, with respect to the services subject to the Target VIE Exclusive Business Cooperation Agreement and other matters, the Target VIE Operating Entity shall not directly or indirectly accept the same or any similar services provided by any third party and shall not establish cooperation relationship with any third party similar to that formed under the Target VIE Exclusive Business Cooperation Agreement. The Target WFOE may appoint other parties, who may enter into certain agreements with the Target VIE Operating Entity, to provide the Target VIE Operating Entity with the services under the Target VIE Exclusive Business Cooperation Agreement.

The Target VIE Exclusive Business Cooperation Agreement also provided that the Target WFOE has the exclusive proprietary rights to and interests in any and all intellectual property rights developed or created as a result of the performance of the Target VIE Exclusive Business Cooperation Agreement.

The Target VIE Exclusive Business Cooperation Agreement has an indefinite term commencing from the date of the execution of the Target VIE Exclusive Business Cooperation Agreement, and shall remain effective unless terminated (a) when all the equity interests and assets of the Target VIE Operating Entity have been legally transferred to the Target WFOE; (b) when the Target VIE Operating Entity goes bankrupt or is liquidated in accordance with the applicable laws; or (c) in accordance with the applicable PRC laws and regulations.

(b) Target VIE Exclusive Option Agreement

As part of the New Target Contractual Arrangements, the Target WFOE, the Target VIE Operating Entity and the Target VIE Registered Shareholders will enter into an exclusive option agreement (the "**Target VIE Exclusive Option Agreement**"), pursuant to which the Target VIE Registered Shareholders irrevocably agree to grant the Target WFOE an exclusive right to acquire, or designate one or more persons to acquire, from the relevant Target VIE Registered Shareholders any or all their respective equity interests then held in the Target VIE Operating Entity, in whole or in part at any time, for a total consideration equivalent to the paid-up registered capital of the Target VIE Operating Entity. If the Target WFOE exercises its option right to acquire part of equity interests held by certain Target VIE Registered Shareholder(s) in the Target VIE Operating Entity, the relevant purchase price shall be calculated in proportion to the relevant equity interests being transferred. Furthermore, where the lowest price permitted by the then PRC laws is higher than the above purchase prices at the time of exercising options, the lowest price permitted by PRC laws, regulations and relevant rules shall be applied. Each of the Target VIE Operating Entity and the Target VIE Registered Shareholders has covenanted, among other things, that:

- without the prior written consent of the Target WFOE, they shall not in any manner supplement, change or amend the constitutional documents of the Target VIE Operating Entity, increase or decrease the Target VIE Operating Entity's registered capital, or change the structure of the Target VIE Operating Entity's registered capital in other manner;

- they shall maintain the Target VIE Operating Entity's corporate existence in accordance with good financial and business standards and practices, obtain and maintain all necessary government licenses and permits, prudently and effectively operate the Target VIE Operating Entity's businesses, and handle the Target VIE Operating Entity's affairs. The annual budgeting and final accounting of the Target VIE Operating Entity shall obtain the prior written consent of the Target WFOE;

- without the prior written consent of the Target WFOE, they shall not at any time following the date when the Target VIE Exclusive Option Agreement came into effect sell, transfer, pledge or dispose of in any manner the equity shares of the Target VIE Group Entities, or allow the encumbrance thereon of any security interest;

- without the prior written consent of the Target WFOE, they shall not at any time following the date when the Target VIE Exclusive Option Agreement came into effect sell, transfer, pledge or dispose of in any manner any material assets of the Target VIE Group Entities or legal or beneficial interest in the material business or revenues of the Target VIE Group Entities, or allow the encumbrance thereon of any security interest;

- without the prior written consent of the Target WFOE, the Target VIE Group Entities shall not incur, inherit, guarantee or assume any debt, except for debts incurred in the ordinary course of business other than payables incurred by a loan and/or debt between the Target VIE Operating Entity and its subsidiary(ies);

- they shall always operate all of their businesses during the ordinary course of business to maintain the Target VIE Group Entities' asset value and refrain from any action/omission that may adversely affect their operating status and asset value;

- without the prior written consent of the Target WFOE, they shall not cause the Target VIE Group Entities to execute any material contract, except the contracts executed in the ordinary course of business;

- without the prior written consent of the Target WFOE, the Target VIE Group Entities shall not provide any person with any loan or credit, except for those provided by the Target VIE Operating Entity to its wholly-owned subsidiary(ies);

- they shall provide the Target WFOE with information on the Target VIE Group Entities' business operations and financial condition at the request of the Target WFOE;

- if requested by the Target WFOE, they shall procure and maintain insurance in respect of the Target VIE Group Entities' assets and business from an insurance carrier acceptable to the Target WFOE, at an amount and type of coverage typical for companies that operate similar businesses;

- without the prior written consent of the Target WFOE, they shall not cause or permit the Target VIE Group Entities to merge, consolidate with, acquire or invest in any person;

- they shall immediately notify the Target WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the Target VIE Group Entities' assets, business or revenue;

- to maintain the ownership by the Target VIE Group Entities of all of their assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims;

- without the prior written consent of the Target WFOE, the Target VIE Group Entities shall not in any manner distribute dividends to their shareholders, provided that upon the written request of the Target WFOE, the Target VIE Operating Entity shall immediately distribute all distributable profits to their respective shareholders;

- at the request of the Target WFOE, they shall appoint any persons designated by the Target WFOE as the directors, supervisors (if applicable) and senior management of the Target VIE Operating Entity and the Target VIE Group Entities and/or depose the directors, supervisors and senior executives of the Target VIE Operating Entity and the Target VIE Group Entities and perform all relevant resolutions and filing procedures;

- without the written consent of the Target WFOE, the Target VIE Operating Entity and the Target VIE Group Entities shall not engage in any business in competition with the Target WFOE or their respective affiliates; and

- unless otherwise mandatorily required by PRC laws, the Target VIE Operating Entity and the Target VIE Group Entities shall not be dissolved or liquidated without the prior written consent of the Target WFOE.

The Target VIE Registered Shareholders will further covenant, among other things, that:

- without the written consent of the Target WFOE, they shall not sell, transfer, pledge or dispose of in any other manner their respective legal or beneficial interest in the Target VIE Operating Entity, or allow the encumbrance thereon of any security interest, except for the Target VIE Equity Pledge Agreement (as defined below) and the interests prescribed in the Target VIE Powers of Attorney (as defined below), and procure the shareholders' meeting and/or the board of directors of the Target VIE Operating Entity not to approve such matters;

- for each exercise of the equity purchase option, to cause the shareholders' meeting and/or the board of directors of the Target VIE Operating Entity to vote on the approval of the transfer of equity interests and any other action requested by the Target WFOE;

- they shall relinquish the pre-emptive right (if any) he is entitled to in relation to the transfer of equity interest by any other shareholders to the Target VIE Operating Entity and give consent to the execution by each other shareholder of the Target VIE Operating Entity with the Target WFOE and the Target VIE Operating Entity of exclusive option agreement, equity interest pledge agreements and powers of attorney similar to the Target VIE Exclusive Option Agreement, the Target VIE Equity Pledge Agreement and the Target VIE Powers of Attorney, and accept not to take any action in conflict with such documents executed by the other shareholders; and

- each of the Target VIE Registered Shareholders will transfer to the Target WFOE or its appointee(s) by way of gifting any profit, dividend or proceeds they receive from the liquidation of the Target VIE Operating Entity in accordance with the PRC laws.

The Target VIE Registered Shareholders will also undertake that, subject to the relevant laws and regulations, they will return to the Target WFOE any consideration they receive in the event that the Target WFOE exercises the options under the Target VIE Exclusive Option Agreement to acquire the equity interests in the Target VIE Group Entities.

The validity period of the Target VIE Exclusive Option Agreement will commence from its date and it shall remain effective unless terminated (a) when the entire equity interests held by the relevant Target VIE Registered Shareholders or their successors or the transferees in the Target VIE Operating Entity have been transferred to the Target WFOE or its appointee(s); or (b) in accordance with applicable PRC laws and regulations.

(c) Target VIE Equity Pledge Agreements

As part of the New Target Contractual Arrangements, the Target WFOE, the Target VIE Operating Entity and each of the Target VIE Registered Shareholders will enter into the equity pledge agreements (collectively, the "**Target VIE Equity Pledge Agreements**"). Pursuant to the Target VIE Equity Pledge Agreements, which contain similar terms and conditions, the Target VIE Registered Shareholders agree to pledge all their respective equity interests in the Target VIE Operating Entity that they own, including any interest or dividend paid for the shares, to the Target WFOE, as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts.

The pledges in respect of the Target VIE Operating Entity will take effect upon the completion of the respective establishment or change of registration with the relevant administration for market regulation and shall remain valid until after all the contractual obligations of the Target VIE Registered Shareholders and the Target VIE Operating Entity under the New Target Contractual Arrangements have been fully performed and all the outstanding debts of the Target VIE Registered Shareholders and the Target VIE Operating Entity under the New Target Contractual Arrangements have been fully paid.

Upon the occurrence and during the continuance of an event of default (as defined in the Target VIE Equity Pledge Agreements), unless such default is cured within 20 days following the relevant Target VIE Registered Shareholders and/or the Target VIE Operating Entity's receipt of the written notice which requests the cure of such default, the Target WFOE shall have the right to exercise all such rights as a secured party under any applicable PRC laws and the Target VIE Equity Pledge Agreements, including without limitation, being paid in priority with the equity interests based on the monetary valuation that such equity interests are converted into or from the proceeds from auction or sale of the equity interest upon written notice to the relevant Target VIE Registered Shareholders.

(d) Target VIE Powers of Attorney

As part of the New Target Contractual Arrangements, each of the Target VIE Registered Shareholders will execute a power of attorney (collectively, the "**Target VIE Powers of Attorney**"). Pursuant to the Target VIE Powers of Attorney, each of the Target VIE Registered Shareholders irrevocably appoints the Target WFOE and its respective designated persons (including but not limited to the Directors and their successors and liquidators replacing the Directors but excluding those who are non-independent or who may give rise to conflict of interests) as his attorney-in-fact to exercise on his behalf, and agreed and undertook not to exercise, any and all right that he or she has in respect of his or her equity interests in the Target VIE Operating Entity, including without limitation:

- to attend shareholders' meetings of the Target VIE Operating Entity and to execute meeting minutes;

- to file documents with the relevant registrar of companies;

- to exercise all the shareholder's rights and the shareholder's voting rights in accordance with law and the relevant constitutional documents of the Target VIE Operating Entity, including but not limited to the sale, transfer, pledge or disposal of any or all of the equity interests in the Target VIE Operating Entity; and

- to nominate or appoint the legal representatives, directors, supervisors, general manager and other senior management of the Target VIE Operating Entity.

Each of the Target VIE Registered Shareholders will undertake that he or she will not directly or indirectly participate in, engage in, involve in, own, or use information obtained from the Target VIE Operating Entity to participate in, engage in, involve in, or own or be interested in any business which potentially competes with the Target VIE Operating Entity or their respective affiliates without the Target WFOE's prior written consent.

Each of the Target VIE Registered Shareholders will further undertake that in the event that he becomes a natural person without civil capacity or a natural person with limited capacity for civil activity due to any reasons, his representatives or successors shall continue to perform his obligations and enjoy the benefits under the New Target Contractual Arrangements subject to the terms of the Target VIE Powers of Attorney.

The Target VIE Powers of Attorney shall remain effective for so long as the Target VIE Registered Shareholders hold an equity interest in the Target VIE Operating Entity.

(e) Confirmation and Undertakings from the Target VIE Registered Shareholders

Each of the Target VIE Registered Shareholders will confirm and undertake to the effect that in the event of his death, incapacity, divorce or any other event which causes his or her inability to exercise his rights as a shareholder of the Target VIE Operating Entity, his successors, debtor, spouse or any other persons entitled to claim rights or interests in the Target VIE Operating Entity (together with any other interests therein) will not take any actions in any circumstances in any way, if such actions are likely to affect or prevent such Target VIE Registered Shareholder and/or the Target VIE Operating Entity from performing their obligations under the New Target Contractual Arrangements. Each of the Target VIE Registered Shareholders has confirmed that (i) his spouse does not have the right to claim any interests in the Target VIE Operating Entity (together with any other interests therein); (ii) his direct or indirect day-to-day management and voting matters in the Target VIE Operating Entity are not affected by his spouse; and (iii) in the event of his divorce, he will take all actions deemed necessary by the Target VIE Operating Entity to safeguard the performance of the New Target Contractual Arrangements.

(f) Target VIE Spouse Undertakings

The spouse of each of the Target VIE Registered Shareholders, where applicable, will sign a letter of agreement (collectively, the "**Target VIE Spouse Undertakings**"), to the effect, among others, that:

(i) each spouse confirms and agrees that the respective Target VIE Registered Shareholders' existing and future equity interests in the Target VIE Operating Entity (together with any other interests therein) are separate properties of such Target VIE Registered Shareholder and do not fall within the scope of communal properties of such Target VIE Registered Shareholder and his spouse; the respective Target VIE Registered Shareholder is entitled to deal with his own equity interests and any interests therein in the Target VIE Operating Entity in accordance with the New Target Contractual Arrangements. The spouse of each of the Target VIE Registered Shareholders confirms that she will fully assist with the performance of the New Target Contractual Arrangements at any time;

(ii) each spouse unconditionally and irrevocably waives any right or benefits on such equity interests and assets in accordance with applicable laws and confirms that she will not have any claim on such equity interests and assets; and she has not and does not intend to participate in the operation and management or other voting matters of the Target VIE Operating Entity;

(iii) each spouse confirms that the respective Target VIE Registered Shareholders may further amend or terminate the New Target Contractual Arrangements or enter into other alternative documents without the need for authorization or consent by the spouse; and

(iv) each spouse will enter into all necessary documents and take all necessary actions to ensure the due performance of the New Target Contractual Arrangements as amended from time to time.

Target VIE Registered Shareholders

The identities of the new Target VIE Registered Shareholders are yet to be determined and finalized by the Company. Upon confirmation of the new Target VIE Registered Shareholders, the Company will make further announcements as necessary in accordance with the Listing Rules implications arising therefrom and in connection therewith (including but not limited to any implications under Chapter 14 of the Listing Rules).

Dispute Resolution

Each of the agreements under the New Target Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the New Target Contractual Arrangements, any party has the right to submit the relevant dispute to the Beijing Arbitration Commission (the "**BAC**") for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be confidential and the language used during the arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that subject to the requirements under PRC laws, the arbitral tribunal may award remedies over the shares or assets of the Target VIE Operating Entity or assets of the Target VIE Registered Shareholders (as the case may be) or injunctive relief (e.g. limiting the conduct of business, limiting or restricting the transfer or sale of shares or assets) or order the winding up of the Target VIE Operating Entity; the Target WFOE may apply to the courts of the PRC, Hong Kong, the Cayman Islands (being the place of incorporation of the Company) or other competent jurisdiction for interim remedies.

However, the PRC Legal Advisor of the Company (the "**PRC Legal Advisor**") has advised that the above provisions may not be enforceable under PRC laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of the Target VIE Operating Entity pursuant to current PRC laws. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. Even if the abovementioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the New Target Contractual Arrangements.

As a result of the above, in the event that the Target VIE Group Entities or the Target VIE Registered Shareholders breach any of the New Target Contractual Arrangements, the Company may not be able to obtain sufficient remedies in a timely manner, and the Company's ability to exert effective control over the Target VIE Group Entities and conduct the Company's business could be materially and adversely affected.

Arrangements to Address Potential Conflicts of Interest

Each of the Target VIE Registered Shareholders will give his irrevocable undertakings in the Target VIE Powers of Attorney which address potential conflicts of interests that may arise in connection with the New Target Contractual Arrangements. See the section headed "Details of the New Target Contractual Arrangements — (d) Target VIE Powers of Attorney" above.

Loss Sharing

Under the relevant PRC laws and regulations, neither the Company or the Target WFOE is expressly legally required to share the losses of, or provide financial support to, the Target VIE Group Entities. Further, each of the Target VIE Group Entities is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. The Target WFOE intends to continuously assist the Target VIE Group Entities in obtaining financial support when deemed necessary. In addition, given that the Group will conduct a portion of its business operations in the PRC through the Target VIE Group Entities, and that their financial position and results of operations are consolidated into the Group's financial statements under the applicable accounting principles, the Company's business, financial position and results of operations would be adversely affected if the Target VIE Group Entities suffer losses.

However, as provided in the Target VIE Exclusive Option Agreement, without the prior written consent of the Target WFOE, the Target VIE Operating Entity shall not, among others, (i) sell, transfer, pledge or dispose of in any manner any of the equity shares of the Target VIE Group Entities, or allow the encumbrance thereon of any security interest; (ii) sell, transfer, pledge or dispose of in any manner any of their material assets; (iii) execute any material contract, except those entered into in the ordinary course of business; (iv) provide any loan, credit or guarantees in any form to any third party, or allow any third party to create any other security interests on its material assets or equity interest, except for those provided by the Target VIE Operating Entity to the Target VIE Subsidiary; (v) incur, inherit, guarantee or allow any debt that is not incurred in the ordinary course of business; (vi) enter into any consolidation or merger with any third party, or being acquired by or invest in any third party; (vii) increase or reduce its respective registered capital, or alter the structure of its registered capital in any other way, or amend its articles of association; (viii) conduct any act or act of omission that may adversely affect its operation condition or value of assets; (ix) distribute any dividends to the Target VIE Registered Shareholders; (x) conduct any business that competes with the businesses of the Target WFOE or its affiliates; or (xi) liquidate or dissolve. Therefore, due to the relevant restrictive provisions in the agreements, the potential adverse effect on the Target WFOE and the Company in the event of any loss suffered from the Target VIE Group Entities can be limited to a certain extent.

Liquidation

Pursuant to the Target VIE Exclusive Option Agreement, in the event of a mandatory liquidation required by the PRC laws, the Target VIE Registered Shareholders shall give the proceeds they received from liquidation as a gift to the Target WFOE or its designee(s) to the extent permitted by the PRC laws.

Insurance

There are certain risks involved in the Company's operations, in particular, those relating to the Company's corporate structure and the New Target Contractual Arrangements. A detailed discussion of the material risks relating to the New Target Contractual Arrangements is set forth in the section headed "RISKS RELATING TO THE NEW TARGET CONTRACTUAL ARRANGEMENTS" herein. The Company has determined that the costs of insurance for the risks associated with business liability or disruption and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for the Company to have such insurance. Accordingly, the Company does not intend to purchase any insurance to cover the risks relating to the New Target Contractual Arrangements.

PRC Legal Opinion

The PRC legal advisor of is of the opinion that the New Target Contractual Arrangements are narrowly tailored to achieve the Company's business purpose and minimize the potential conflict with relevant PRC laws and regulations as:

(a) each of the Target WFOE and the Target VIE Group Entities is a duly incorporated and validly existing company, and their respective establishment is valid, effective and complies with the relevant PRC laws and regulations; and all parties to each of the New Target Contractual Arrangements have obtained all necessary approvals and authorizations to execute and perform the New Target Contractual Arrangements;

(b) the parties to each of the New Target Contractual Arrangements are entitled to execute the agreements and perform their respective obligations thereunder;

(c) none of the New Target Contractual Arrangements violates any provisions of the articles of association of any of the Target WFOE or the Target VIE Group Entities;

(d) each of the New Target Contractual Arrangements is binding on the assignees or successors of the parties thereto;

(e) the parties to each of the New Target Contractual Arrangements are not required to obtain any approvals or authorizations from the PRC governmental authorities, except that: (i) the exercise of the option by the Target WFOE or its designee of its rights under the Target VIE Exclusive Option Agreement to acquire all or part of the equity interests in the Target VIE Operating Entity is subject to the approvals of and/or registration with the PRC regulatory authorities; (ii) any share pledge contemplated under the Target VIE Equity Pledge Agreements is subject to the registration with local administration bureau for market regulation; and (iii) the arbitration awards/interim remedies provided under the dispute resolution provision of the New Target Contractual Arrangements shall be recognized by PRC courts before compulsory enforcement;

(f) each of the New Target Contractual Arrangements is valid, legal, binding on the parties thereto, and none of them would fall within the circumstances as stipulated in the PRC Civil Code (中華人民共和國民法典) which render the arrangements invalid under the PRC Civil Code, except for the following provisions regarding dispute resolution and the liquidating committee: (i) the New Target Contractual Arrangements provide that any dispute shall be submitted to the BAC for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing. They also provide that the arbitrator may award interim remedies over the shares or assets of the Target VIE Operating Entity or injunctive relief (e.g. for the conduct of business or to restrict the transfer of assets) or order the winding up of the Target VIE Operating Entity; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of the Company) and the PRC (being the place of incorporation of the Target VIE Group Entities) shall also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the shares or assets of the Target VIE Operating Entity. However, the PRC Legal Advisor has advised that interim remedies or enforcement orders granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC; and (ii) the New Target Contractual Arrangements provide that the Target VIE Registered Shareholders undertake to appoint a committee designated by the Target WFOE as the liquidation committee upon the winding up of the Target VIE Operating Entity to manage their assets. However, in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation, these provisions may not be enforceable under PRC Laws; and

(g) the terms and conditions of the New Target Contractual Arrangements are the same as the Existing Listco Contractual Arrangements in all material aspects.

Board's View on the New Target Contractual Arrangements

As at the date of this announcement, to the best knowledge of the Directors after making reasonable enquiries, the Target WFOE had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through the Target VIE Group Entities under the Existing Target Contractual Arrangements. On the basis of the aforesaid and the above, the Directors believe that each of the New Target Contractual Arrangements is valid, legal, binding on the parties thereto, save for certain special circumstances. Please refer to the section headed "PRC Legal Opinion" in this announcement for further details.

Circumstances under which the Company will adjust or unwind the New Target Contractual Arrangements

The Company will adjust or unwind (as the case may be) the New Target Contractual Arrangements as soon as practicable in respect of the operation of the relevant businesses of the Target VIE Group Entities to the extent permissible and the Company will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations if the relevant government authority accepts applications for the relevant licenses made by sino-foreign joint ventures or wholly-owned foreign investment entities under relevant PRC laws and regulations.

RISKS RELATING TO THE NEW TARGET CONTRACTUAL ARRANGEMENTS

If the PRC government finds that the agreements that establish the structure for operating the Target VIE Group Entities' businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, the Company could be subject to severe consequences, including the nullification of the New Target Contractual Arrangements and the relinquishment of the Company's interest in the Target VIE Group Entities.

Current PRC laws and regulations impose certain restrictions and prohibitions on foreign ownership of companies that engage in the internet and other related businesses, such as the provision of internet information.

The Company is a company incorporated under the laws of the Cayman Islands, and the Target WFOE, a subsidiary of the Company after the Completion, is considered a foreign-invested enterprise. To comply with PRC laws and regulations, the Company will conduct the business of the Target VIE Group Entities based on the New Target Contractual Arrangements which enable the Company to (i) have the power to direct the activities that most significantly affect the economic performance of the Target VIE Group Entities; (ii) receive substantially all of the economic benefits from the Target VIE Group Entities in consideration for the services provided by the Target WFOE; and (iii) have an exclusive option to purchase all or part of the equity interest in the Target VIE Group Entities when and to the extent permitted by PRC law, or request that any existing shareholder of the Target VIE Group Entities to transfer any or part of the equity interest in the Target VIE Group Entities to another PRC person or entity designated by the Company at any time at the Company's discretion according to the relevant law. By virtue of the New Target Contractual Arrangements, the Company is the primary beneficiary of the Target VIE Group Entities and hence consolidate their results of operations into the Company's results of operations.

If the PRC government finds that the New Target Contractual Arrangements do not comply with its restrictions on foreign investment in businesses, or if the PRC government otherwise finds that the Company or the Target VIE Group Entities are in violation of PRC laws or regulations or lack the necessary permits or licenses to operate the relevant business, the relevant PRC regulatory authorities, including the Ministry of Commerce of the PRC, the National Health Commission of the PRC and the National Medical Products Administration of the PRC, would have broad discretion in dealing with such violations or failures, including, without limitation:

- revoking the Company's business and operating licenses;
- discontinuing or restricting the Company's operations;
- imposing fines or confiscating any of the Company's income that they deem to have been obtained through illegal operations;
- imposing conditions or requirements with which the Company or the Company's PRC subsidiaries and the Target VIE Group Entities may not be able to comply;
- requiring the Company or the Company's PRC subsidiaries and the Target VIE Group Entities to restructure the relevant ownership structure or operations;

- restricting or prohibiting the Company's use of the proceeds from the initial public offering or other of the Company's financing activities to finance the business and operations of the Target VIE Group Entities; or

- taking other regulatory or enforcement actions that could be harmful to the Company's business.

Any of these actions could cause significant disruption to the Company's business operations and may materially and adversely affect the Company's business, financial condition and results of operations. In addition, it is unclear what impact the PRC government actions would have on the Company and on the Company's ability to consolidate the financial results of the Target VIE Group Entities into the Company's consolidated financial statements, if the PRC governmental authorities find the Company's legal structure and contractual arrangements to be in violation of PRC laws, rules and regulations. If any of these penalties results in the Company's inability to direct the activities of the Target VIE Group Entities that most significantly impact their economic performance and/or the Company's failure to receive the economic benefits from the Target VIE Group Entities, the Company may not be able to consolidate the Target VIE Group Entities into the Company's consolidated financial statements in accordance with IFRS.

The New Target Contractual Arrangements may not be as effective in providing operational control as direct ownership. The Target VIE Group Entities or the Target VIE Registered Shareholders may fail to perform their obligations under the New Target Contractual Arrangements.

Due to the PRC restrictions or prohibitions on foreign ownership of healthcare and other related businesses in China, the Company will operate the business of the Target VIE Group Entities in China through the Target VIE Group Entities, in which the Company has no ownership interest. The Company relies on the New Target Contractual Arrangements with the Target VIE Group Entities and the Target VIE Registered Shareholders to control and operate such business. These contractual arrangements are intended to provide the Company with effective control over the Target VIE Group Entities and allow the Company to obtain economic benefits from them.

Although the Company has been advised by the PRC Legal Advisor that the New Target Contractual Arrangements with the Target VIE Group Entities constitute valid and binding obligations enforceable against each party of such agreements in accordance with their terms, these contractual arrangements may not be as effective in providing control over the Target VIE Group Entities as direct ownership. If the Target VIE Group Entities or the Target VIE Registered Shareholders fail to perform their respective obligations under the New Target Contractual Arrangements, the Company may incur substantial costs and expend substantial resources to enforce the Company's rights. All of the New Target Contractual Arrangements are governed by, and interpreted in accordance with, PRC laws and disputes arising from these contractual arrangements will be resolved through arbitration or litigation in China. However, the legal system in China is still evolving and not as developed as in other jurisdictions. There are very few precedents and little official guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the outcome of arbitration or litigation. These uncertainties could limit the Company's ability to enforce the New Target Contractual Arrangements. In the event the Company is unable to enforce the New Target Contractual Arrangements or the Company experiences significant delays or other obstacles in the process of enforcing these contractual arrangements, the Company may not be able to exert effective control over the Company's affiliated entities and may lose control over the assets owned by the Target VIE Group Entities. As a result, the Company may be unable to consolidate the Target VIE Group Entities into the Company's consolidated financial statements and the Company's ability to conduct its business may be negatively affected.

The Company may lose the ability to use licenses, approvals and assets held by the Target VIE Group Entities that are material to the Company's business operations if the Target VIE Group Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.

The Company does not have priority pledges and liens against the assets of the Target VIE Group Entities. If any of the Target VIE Group Entities undergoes an involuntary liquidation proceeding, third-party creditors may claim rights to some or all of its assets and the Company may not have priority over such third-party creditors on the assets of the Target VIE Group Entities. If any of the Target VIE Group Entities liquidates, the Company may take part in the liquidation procedures as a general creditor under the PRC Enterprise Bankruptcy Law and claim any outstanding liabilities owed by such Target VIE Group Entity to the Target WFOE under the exclusive business cooperation agreement, along with other general creditors.

If the Target VIE Registered Shareholders were to attempt to voluntarily liquidate the Target VIE Group Entities without obtaining the Company's prior consent, the Company could effectively prevent such unauthorized voluntary liquidation by exercising the Company's right to request the Target VIE Registered Shareholders to transfer all of their respective equity ownership interests to a PRC entity or individual designated by the Company in accordance with the exclusive call option agreement with the Target VIE Registered Shareholders. In addition, under the New Target Contractual Arrangements signed by, among others, the Target WFOE, the Target VIE Operating Entity and the Target VIE Registered Shareholders, the Target VIE Registered Shareholders do not have the right to receive dividends or retained earnings or other distributions from the Target VIE Group Entities without the Company's consent. In the event that the Target VIE Registered Shareholders initiate a voluntary liquidation proceeding without the Company's authorization or attempt to distribute the retained earnings or assets of the Target VIE Group Entities without the Company's prior consent, the Company may need to resort to legal proceedings to enforce the terms of the New Target Contractual Arrangements. Any such legal proceeding may be costly and may divert the time and attention of the Company's management away from the operation of the Company's business, and the outcome of such legal proceeding will be uncertain.

The Target VIE Registered Shareholders may have conflicts of interest with the Company, which may materially and adversely affect the Company's business.

The Target VIE Registered Shareholders may potentially have a conflict of interest with the Company, and they may breach the New Target Contractual Arrangements with the Company, if they believe it would further their own interest or if they otherwise act in bad faith. The Company cannot assure that when conflicts of interest arise between the Company and the Target VIE Group Entities, the Target VIE Registered Shareholders will act in the Company's interests or that the conflicts of interest will be resolved in the Company's favor.

In addition, the Target VIE Registered Shareholders may breach or cause the Target VIE Group Entities to breach the New Target Contractual Arrangements. If the Target VIE Group Entities or the Target VIE Registered Shareholders breach the New Target Contractual Arrangements with the Company or otherwise have disputes with the Company, the Company may have to initiate legal proceedings, which involve significant uncertainty. Such disputes and proceedings may significantly disrupt the Company's business operations, adversely affect the Company's ability to control the Target VIE Group Entities and otherwise result in negative publicity. The Company cannot assure that the outcome of any such dispute or proceeding will be in the Company's favor.

If the Company exercises the option to acquire equity ownership and assets of the Target VIE Group Entities, the ownership or asset transfer may subject the Company to certain limitations and substantial costs.

Pursuant to the New Target Contractual Arrangements, the Target WFOE or its designated person(s) has the exclusive right to purchase all or any part of the equity interests in the Target VIE Group Entities from the Target VIE Registered Shareholders at a nominal price.

The equity transfer may be subject to the approvals from and filings with the SAMR and other competent governmental authorities and/or their local competent branches. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax or commerce authority. The Target VIE Registered Shareholders will pay the equity transfer price they receive to the Target VIE Group Entities under the New Target Contractual Arrangements. The amount to be received by the Target VIE Group Entities may also be subject to enterprise income tax. Such tax amounts could be substantial.

Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of the Company's current corporate structure, corporate governance, and business operations.

On January 1, 2020, the Foreign Investment Law came into effect. The Foreign Investment Law replaced the Sino-Foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-Invested Enterprise Law (《中華人民共和國外資企業法》) to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law defines foreign investment as any investment activity directly or indirectly carried out in the PRC by one or more foreign natural persons, enterprises or other organizations ("**Foreign Investor(s)**"), and specifically stipulates four forms of investment activities as foreign investment, namely, (a) establishment of a foreign invested enterprise in the PRC by a Foreign Investor, either individually or collectively with any other investor, (b) obtaining shares, equities, assets interests or any other similar rights or interests of an enterprise in the PRC by a Foreign Investor; (c) investment in any new construction project in the PRC by a Foreign Investor, either individually or collectively with any other investor, and (d) investment in any other manners stipulated under laws, administrative regulations or provisions prescribed by the State Council of the PRC.

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including the Company, to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in China. The Foreign Investment Law stipulates four forms of investment activity as foreign investment. However, the Foreign Investment Law does not explicitly stipulate the contractual arrangements as a form of foreign investment.

Notwithstanding the above, the Foreign Investment Law stipulates that "investment in any other manners stipulated under laws, administrative regulations or provisions prescribed by the State Council of the PRC." Therefore, there is the possibility that future laws, administrative regulations or provisions of the State Council of the PRC may stipulate certain contractual arrangements to be a means of foreign investment, which may affect whether the New Target Contractual Arrangements will be recognized as foreign investment, whether the New Target Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements, and therefore how the New Target Contractual Arrangements will be handled are uncertain.

In an extreme scenario, the Company may be required to unwind the New Target Contractual Arrangements and/or dispose of the Target VIE Group Entities, which could have a material and adverse effect on the Company's business, financial condition and result of operations. In the event that the Company no longer has a sustainable business after the aforementioned unwinding of the New Target Contractual Arrangements or disposal or in the event such measures are not complied with, the Stock Exchange may take enforcement actions against the Company which may have a material adverse effect on the trading of the Shares or even result in the delisting of the Company.

Therefore, there is no guarantee that the New Target Contractual Arrangements and the business of the Target VIE Group Entities will not be materially and adversely affected in the future.

The New Target Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that the Company owes additional taxes could substantially reduce the Company's consolidated net income and the value of your investment.

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. The Company could face material and adverse tax consequences if the PRC tax authorities determine that the New Target Contractual arrangements among the Target WFOE and the Target VIE Group Entities do not represent an arm's-length price and adjust the Target VIE Group Entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by the Target VIE Group Entities, which could in turn increase their tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties to the Company's PRC variable interest entities for under-paid taxes. The Company's results of operations may be materially and adversely affected if the Company's tax liabilities increase or if the Company is found to be subject to late payment fees or other penalties.

INTERNAL CONTROL MEASURES

It is the intention of the Company, following the Completion, to implement, through the Target WFOE, additional internal control measures against the Target VIE Group Entities as appropriate, having regard to the internal control measures adopted by the Group from time to time, which may include but not limited to the following:

(a) major issues arising from the implementation and compliance with the contractual arrangements (including the New Target Contractual Arrangements) or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;

(b) reviewing the overall performance of and compliance with the contractual arrangements (including the New Target Contractual Arrangements) by the Board at least once every year;

(c) disclosing the overall performance of and compliance with the contractual arrangements (including the New Target Contractual Arrangements) by the Company in its annual reports; and

(d) appointing external legal advisers or other professional advisers, where necessary, to assist the Board in reviewing the implementation of the New Target Contractual Arrangements and the legal compliance of the Target WFOE and the Target VIE Group Entities to deal with specific issues or matters arising from the New Target Contractual Arrangements.

SHAREHOLDING STRUCTURE OF THE TARGET WFOE BEFORE AND AFTER THE COMPLETION

Details on the shareholding structure of the Target WFOE (i) as at date of this announcement and (ii) immediately after the Completion are as follows:

Name of Shareholder	**Shareholding in the Target WFOE as at the date of this announcement**		**Shareholding in the Target WFOE after the Completion**	
	Number of shares	**Shareholding (%)**	**Number of shares**	**Shareholding (%)**
Kindstar Wuhan WFOE	–	–	11,595,577	100.00
The Sellers				
AnchorDx HK	8,988,313	77.52	–	–
Guangzhou KingMed	213,220	1.84	–	–
Suzhou Frontline BioVentures	632,043	5.45	–	–
Suzhou 6Dimensions	632,043	5.45	–	–
Suzhou Serica Jianxin	295,535	2.54	–	–
WuXi App	319,829	2.76	–	–
Zhong Jianxin	514,594	4.44	–	–
Total	11,595,577	100.00	11,595,577	100.00

SHAREHOLDING STRUCTURE OF THE TARGET US COMPANY BEFORE AND AFTER THE COMPLETION OF THE ACQUISITIONS

Details on the shareholding structure of the Target US Company (i) as at date of this announcement and (ii) immediately after the Completion:

Name of Shareholder	Shareholding in the Target US Company as at the date of this announcement		Shareholding in the Target US Company after the Completion	
	Number of shares	Shareholding (%)	Number of shares	Shareholding (%)
The Company	–	–	601,980	100.00
The Seller				
AnchorDx HK	601,980	100.00	–	–
Total	601,980	100.00	601,980	100.00

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the existing shareholding structure of the Company and the effect of allotment and issuance of the Consideration Shares on the shareholding structure of the Company upon the Completion is set out as below:

Name of Shareholder	As at the date of this announcement		Immediately after the Completion and the allotment and issuance of all the Consideration Shares *(Note 1)*	
	Number of Shares	Approximate % of total number of issued Shares	Number of Shares	Approximate % of total number of issued Shares
Directors				
Dr. HUANG *(Notes 2, 3 & 4)*	146,425,868	14.93	146,425,868	14.08
Mr. TU *(Note 5)*	64,361,864	6.56	64,361,864	6.19
Ms. CHAI Haijie	10,166,456	1.04	10,166,456	0.98
Mr. HUANG Zuie-Chin *(Note 6)*	73,119,632	7.46	73,119,632	7.03
Substantial Shareholder (excluding Directors)				
Ms. GUO Gui-Rong *(Notes 3 & 4)*	146,425,868	14.93	146,425,868	14.08
Mr. HUANG Bo *(Notes 2 & 7)*	99,299,404	10.13	99,299,404	9.55
Wuxi Anchor	–	–	15,869,521	1.53
OrbiMed	–	–	43,561,835	4.19
Public Shareholders	440,669,604	44.94	440,669,604	42.38
Total	**980,468,696**	**100.00**	**1,039,900,052**	**100.00**

Notes:

(1) *Assuming no change in the total issued share capital of the Company other than allotment and issuance of all the Consideration Shares.*

(2) *Perfect Tactic Group Limited ("**Perfect Tactic**") is a company incorporated in the British Virgin Island 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.*

The Shiang Huang Family Trust is a discretionary trust and the beneficiaries of which include Dr. HUANG and his family members who are his associates, and their lineal descendants. Under the trust deed of the Shiang Huang Family Trust, for so long as the Jackson Hole 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

(3) *Each of Dr. HUANG and Ms. GUO Gui-Rong, being the spouse of the other person, is deemed to be interested in the total number of Shares the other person holds or is interested in.*

(4) *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 to 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. 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.*

(5) *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.*

(6) *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羲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.*

(7) *Jackson Hole is the trustee of the 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 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.*

INFORMATION ON THE TARGET WFOE AND THE TARGET VIE GROUP ENTITIES

The Target WFOE is a limited liability company established under the laws of the PRC. The Target WFOE controls in turn controls the Target VIE Operating Entity by way of the Existing Target Contractual Arrangements. The Target VIE Operating Entity directly owns the entire equity interest in the Target VIE Subsidiary. The Target VIE Group Entities are principally engaged in the provision of clinical oncology testing services. The Target WFOE Subsidiary is a wholly-owned subsidiary of the Target WFOE, which has not commenced any business operations (and has not generated any revenue) as at the date of this announcement.

Set out below is the consolidated financial information of the Target WFOE for the two financial years ended December 31, 2023 and the six months ended June 30, 2024 prepared in accordance with IFRS:

	For the year ended December 31, 2022 (unaudited) *RMB$'000*	**For the year ended December 31, 2023 (unaudited)** *RMB$'000*	**For the six months ended June 30, 2024 (unaudited)** *RMB$'000*
Loss before tax	137,241	121,955	44,976
Loss after tax	137,241	121,955	44,980
Net assets	(308,064)	(428,447)	(473,099)

The following table reconciles the adjusted net assets (non-IFRS) of the Target WFOE for the year/period indicated:

	For the year ended December 31, 2022 (unaudited) *RMB$'000*	**For the year ended December 31, 2023 (unaudited)** *RMB$'000*	**For the six months ended June 30, 2024 (unaudited)** *RMB$'000*
Net assets	(308,064)	(428,447)	(473,099)
Add: Financial liabilities at FVTPL	301,180	334,069	351,788
Add: Amounts due to and due from related parties	71,443	141,093	142,578
Adjusted net assets	64,559	46,715	21,267

The amount of adjusted net assets is derived from the amount of net liabilities by eliminating the impacts of "financial liabilities at FVTPL" and "amounts due to and due from related parties". The financial liabilities at FVTPL were recorded to reflect the fair value change in the preferred shares in the Target WFOE, which will be settled before the Acquisitions. The amounts due to related parties mainly represent the loans from AnchorDx HK and the amounts due from related parties are the internal transactions between the Target WFOE/Target VIE Group Entities and AnchorDx HK, all of which will be settled before the Acquisitions.

INFORMATION ON THE TARGET US COMPANY

The Target US Company is a corporation incorporated under the laws of California. The Target US Company is principally engaged in the registration and development of early cancer diagnosis and screening products.

Set out below is the financial information of the Target US Company for the two financial years ended December 31, 2023 and the six months ended June 30, 2024 prepared in accordance with IFRS:

	For the year ended December 31, 2022 (unaudited)	**For the year ended December 31, 2023 (unaudited)**	**For the six months ended June 30, 2024 (unaudited)**
	US$'000	*US$'000*	*US$'000*
Loss before tax	1,162	1,176	981
Loss after tax	1,163	1,176	981
Net assets	(756)	(1,296)	(1,350)

The following table reconciles the adjusted net assets (non-IFRS) of the Target US Company for the year/period indicated:

	For the year ended December 31, 2022 (unaudited)	**For the year ended December 31, 2023 (unaudited)**	**For the six months ended June 30, 2024 (unaudited)**
	US$'000	*US$'000*	*US$'000*
Net assets	(756)	(1,296)	(1,350)
Add: Amount due to the holding company	1,717	1,717	1,717
Adjusted net assets	961	421	367

The amount of adjusted net assets is derived from the amount of net liabilities by eliminating the impacts of "amount due to the holding company". The amount due to the holding company represents the loans from AnchorDx Cayman (which wholly owns AnchoDx HK), which will be settled before the Acquisitions.

INFORMATION OF THE PARTIES

The Company

The Company is an exempted company with limited liability incorporated under the laws of the Cayman Islands on August 24, 2007. The Group is a leading independent esoteric clinical testing service provider in the PRC.

Kindstar Wuhan WFOE

Kindstar Wuhan WFOE is a limited liability company established under the laws of the PRC on September 11, 2020 and one of the Company's subsidiaries. It is principally engaged in investment holding.

THE SELLERS

AnchorDx HK

AnchorDx HK is a limited liability company incorporated under the laws of Hong Kong. It is principally engaged in investment holding. All the ultimate beneficial natural person owners of AnchorDx HK hold less than 30% of its equity interest, of which, the ultimate beneficial owner with the largest shareholding is Jian-Bing FAN (范建兵), who together with his family trust holds approximately 19.77% equity interest (on a fully diluted basis).

Guangzhou KingMed

Guangzhou KingMed is a joint stock company incorporated under the laws of the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange (stock code: 603882). It is principally engaged in third-party medical testing. All the ultimate beneficial natural person owners of Guangzhou KingMed hold less than 30% of its equity interest, of which, the ultimate beneficial owner with the largest shareholding is LIANG Yaoming (梁耀銘), who is ultimately interested in approximately 21.47% equity interest.

Suzhou Frontline BioVentures

Suzhou Frontline BioVentures is a limited liability partnership established under the laws of the PRC. It is principally engaged in venture capital and related consultancy. The general partner of Suzhou Frontline BioVentures is Suzhou Fuyan Venture Capital Management Partnership (Limited Partnership) (蘇州富沿創業投資管理合夥企業(有限合夥)) ("**Suzhou Fuyan Venture**"). The general partner of Suzhou Fuyan Venture is Suzhou Yunchang Investment Consulting Co., Ltd. (蘇州蘊長投資諮詢有限公司) ("**Suzhou Yunchang**"), which is in turn wholly-owned by ZHANG Qiping (張綺蘋).

Suzhou 6Dimensions

Suzhou 6Dimensions is a limited liability partnership established under the laws of the PRC. It is principally engaged in industrial investment, investment management and investment consultancy. The general partner of Suzhou 6Dimensions is Suzhou Tongyu Investment Management Partnership (Limited Partnership) (蘇州通毓投資管理合夥企業(有限合夥)) ("**Suzhou Tongyu**"). The general partner of Suzhou Tongyu is Suzhou Yunchang Investment Consulting Co., Ltd., which is in turn wholly owned by ZHANG Qiping (張綺蘋).

Suzhou Serica Jianxin

Suzhou Serica Jianxin is a limited liability partnership established under the laws of the PRC. It is principally engaged in venture capital, equity investment and investment advisory. Approximately 54.05% equity interest of Suzhou Serica Jianxin is in turn owned by Suzhou Industrial Park Enterprise Development Service Centre (蘇州工業園區企業發展服務中心), which is a public institution. In addition, approximately 32.43% equity interest of Suzhou Serica Jianxin is in turn owned by Hangzhou Tigermed Consulting Co., Ltd. (杭州泰格醫藥科技股份有限公司), which is a company listed on the Stock Exchange (stock code: 3347) and the ChiNext board of the Shenzhen Stock Exchange (stock code: 300347). The general partner of Suzhou Serica Jianxin is Shanghai Serica Venture Investment Management Limited* (上海思嘉創業投資管理有限公司), which is 51% ultimately beneficially owned by SHI Chenyang.

WuXi App

WuXi App is a limited liability partnership established under the laws of the PRC. It is principally engaged in investment management. WuXi App is beneficially wholly-owned by WuXi AppTec Co., Ltd.* (無錫藥明康德新藥開發股份有限公司), which is a company listed on the Stock Exchange (stock code: 2359) and the Shanghai Stock Exchange (stock code: 603259). The general partner of WuXi App is WuXi AppTec Biomedical Investment Management Enterprise L.P.* (無錫藥明康德生物醫藥投資管理企業(有限合夥)) ("**WuXi AppTec**"), which is also beneficially wholly-owned by WuXi AppTec Co., Ltd.* (無錫藥明康德新藥開發股份有限公司).

Zhong Jianxin

Zhong Jianxin is a limited liability company established under the laws of the PRC. It is principally engaged in foreign industrial investment management. Approximately 39.03% equity interest of Zhong Jianxin is owned by FANG Chaoyang (方朝陽).

OTHER PARTIES

AnchorDx Cayman

AnchorDx Cayman is an exempted company incorporated in the Cayman Islands. It is principally engaged in investment holding. All the ultimate beneficial natural person owners of AnchorDx Cayman hold less than 30% of its equity interest, of which, the ultimate beneficial owner with the largest shareholding is Jian-Bing FAN (范建兵), who together with his family trust holds approximately 19.77% equity interest (on a fully diluted basis).

Wuxi Anchor

Wuxi Anchor is an exempted limited partnership registered in the Cayman Islands. It is principally engaged in investment. The general partner of Wuxi Anchor is WXHY Investment Limited, and approximately 90% equity interest of Wuxi Anchor is in turn owned by Golden Well Development Limited.

OrbiMed

OrbiMed is an exempted limited partnership established under the laws of the Cayman Islands. OrbiMed's general partner is OrbiMed Asia GP IV, L.P. ("**OAP IV GP**"), and OAP IV GP's general partner is OrbiMed Advisors IV Limited ("**OAP IV**"). OrbiMed Advisors LLC ("**OrbiMed Advisors**") acts as the advisory company to OAP IV. OrbiMed Advisors exercises voting and investment power through a management committee comprised of Carl L. Gordon, Sven H. Borho, and W. Carter Neild. OrbiMed invests across the global healthcare industry, but primarily in Asia, from seed-stage venture capital to large publicly-traded companies.

Jian-Bing FAN

Dr. Jian-Bing FAN, an American citizen, is the founder and Chief Executive Officer of both the Target WFOE and the Target US Company. Dr. FAN holds a Ph.D. in Human Genetics from Columbia University in the United States and is a global pioneer in genetic testing. With a three-decade-long career spanning the forefront of human genomics, Microarrays, and high-throughput sequencing technologies, Dr. FAN's recognized globally for his remarkable contributions, and has been honored with inclusion in "World's Top 2% Scientists – Lifetime Scientific Influence Ranking List" for 2021. Upon the Completion, Dr. FAN will continue to lead his team in advancing the technological research and development, as well as the commercialization of the Target WFOE and the Target US Company.

ARCH Venture Fund

ARCH Venture Fund IX Overage, L.P. is a venture capital fund that focuses on investing in seed and early-stage companies. ARCH Venture Fund IX Overage, L.P. is a limited partnership established in the United States. The general partner of ARCH Venture Fund IX Overage, L.P. is ARCH Venture Partners IX Overage, L.P., the general partner of which is ARCH Venture Partners IX, LLC. ARCH Venture Partners IX, LLC is owned by several individuals, but its voting power is controlled as to one-third by each of Mr. Robert Taylor Nelsen, Ms. Kristina Burow and Mr. Keith Crandell.

Ligang Capital

Ligang Capital is a limited liability partnership established under the laws of Cayman Islands. It is principally engaged in healthcare investment. The general partner of Ligang Capital is Time Evergreen Capital Investment, Inc., and 60% equity interest of Ligang Capital is in turn owned by ZENG Jun.

Marathon Venture

Marathon Venture is an exempted limited partnership established under the laws of Cayman Islands. It is principally engaged in venture capital investments. The general partner of Marathon Venture is Marathon Partners, L.P., and Ruirong YANG is identified as the ultimate beneficial owner as he is the sole director of the ultimate general partner.

Northern Light

Northern Light is a limited liability company established under the laws of Cayman Islands. It is principally engaged in investment holding. Northern Light is owned as to 90% by Feng DENG.

WuXi PharmaTech

WuXi PharmaTech is a limited liability partnership established under the laws of Cayman Islands. It is principally engaged in investment. The general partner of WuXi PharmaTech is WuXi PharmaTech Fund I General Partner L.P., a limited partnership established in the Cayman Islands whose general partner is Wuxi Pharmatech Investments (Cayman) Inc., an exempted limited liability company established in the Cayman Islands. Wuxi Pharmatech Investments (Cayman) Inc. is a wholly-owned subsidiary of Wuxi Pharmatech Investment Holdings (Cayman) Inc., which is in turn wholly-owned by Wuxi AppTec International Holdings Limited, which is in turn wholly-owned by WuXi AppTec Co., Ltd.

Ying TAN

Ying TAN is a citizen in the PRC.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Board is of the view that the Target VIE Group Entities and the Target US Company are among the leading enterprises in the field of early tumor screening and diagnosis in China. They are recognized for their cutting-edge professional technology, robust clinical trial outcomes, and their top-tier position in the industry in terms of research and development teams, product performance, and operational management excellence. The Acquisitions will bring substantial strategic advantages to the Group, including:

1. rapidly penetrate into crucial physical tumor testing sectors, notably lung cancer and gastric cancer, to seize emerging market opportunities, broaden the Group's business scope, and foster the development of new revenue streams;

2. enhance the portfolio of the Group's IVD products for early tumor screening and diagnosis, thereby further advancing the establishment of a "comprehensive, systematic, and cutting-edge" specialized esoteric testing platform, and facilitate both upstream and downstream industry integration, and embark on a dual-track development approach combining in vitro diagnostic (IVD) and laboratory developed test (LDT); and

3. through integration and synergy, enhance the Group's capabilities for customer development in key hospitals, improve customer service efficiency, strengthen the Group's market competitiveness and comprehensive influence in the industry.

In view of the above, the Target VIE Group Entities and the Target US Company strongly align with the Group's characteristics of being "specialized, professional and focused", bringing new development opportunities to the Group within the specialized esoteric testing domain. The Directors are of the view that the terms of the Transaction Agreement and the Acquisitions contemplated thereunder are fair and reasonable, and in the best interests of both the Company and the Shareholders as a whole, thereby fostering greater long-term values for the Group.

APPLICATION FOR LISTING

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

LISTING RULES IMPLICATIONS

The Acquisitions

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Transaction Agreement and the Acquisitions contemplated thereunder are more than 5% but all applicable percentage ratios are less than 25%, it constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The New Contractual Arrangements

Subject to the finalization of the identities of the new Target VIE Registered Shareholders, and the corresponding Listing Rules implications arising therefrom and in connection therewith (including but not limited to any implications under Chapter 14 of the Listing Rules), the Company will make further announcements as necessary in relation to the New Target Contractual Arrangements and the new Target VIE Registered Shareholders.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

"Acquisitions"	(i) the transfer of 100% equity interest in aggregate in the Target WFOE from AnchorDx HK and the Target WFOE Domestic Sellers to Kindstar Wuhan WFOE and (ii) the transfer of 100% equity interest in the Target US Company from AnchorDx HK to the Company, collectively at the Acquisition Consideration pursuant to the terms and conditions of the Transaction Agreement
"Acquisition Consideration"	the total consideration in respect of the Acquisitions of approximately US$31.30 million, which consists of: (i) RMB58,876,692 payable in cash by Kindstar Wuhan WFOE to the Target WFOE Domestic Sellers (i.e. RMB4,814,880 payable to Guangzhou KingMed, RMB14,272,661 payable to Suzhou Frontline BioVentures, RMB14,272,661 payable to Suzhou 6Dimensions, RMB6,673,713 payable to Suzhou Serica Jianxin, RMB7,222,319 payable to WuXi App, and RMB11,620,458 payable to Zhong Jianxin); (ii) US$12,199,879 payable in cash by Kindstar Wuhan WFOE to AnchorDx HK; and (iii) the Consideration Shares to be allotted and issued by the Company to Wuxi Anchor and OrbiMed, respectively, at the Consideration Share Price under the General Mandate
"AnchorDx Cayman"	AnchorDx Corporation, an exempted company incorporated in the Cayman Islands, which wholly owns AnchorDx HK
"AnchorDx HK"	AnchorDx Group HK Limited (基准醫療(香港)有限公司), a limited liability company incorporated under the laws of Hong Kong
"ARCH Venture Fund"	ARCH Venture Fund IX Overage, L.P., a limited partnership established in the United States
"Basis Date"	June 30, 2024
"Board"	the board of Directors
"Business Day"	a day, other than Saturday, Sunday or any other day on which commercial banks in Hong Kong, the PRC, the United States or the Cayman Islands are authorized or required by applicable law to close
"Company"	Kindstar Globalgene Technology, Inc., an exempted company with limited liability incorporated under the laws of the Cayman Islands, the Shares of which are listed on the Stock Exchange
"Completion"	the completion of the Acquisitions pursuant to the terms and conditions under the Transaction Agreement
"Completion Date"	no later than the 5th Business Day after the satisfaction or valid waiver of the Conditions Precedent (or such other date as may be otherwise agreed by the Company, AnchorDx HK, the AnchorDx Cayman Preferred Shareholders and the Target WFOE Domestic Sellers)

"Conditions Precedent"	the conditions precedent of the Completion as set out in the section headed "Conditions Precedent of the Acquisitions" in this announcement
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration Shares"	a total of 59,431,356 new Shares to be allotted and issued by the Company (i.e. 15,869,521 Shares to Wuxi Anchor and 43,561,835 Shares to OrbiMed) pursuant to the terms and conditions of the Transaction Agreement
"Consideration Share Price"	HK$1.42 per Share
"Director(s)"	the director(s) of the Company
"Dr. HUANG"	Dr. HUANG Shiang (黃士昂), an executive Directors, the chairman of the Board, the chief executive officer, and one of the substantial shareholders of the Company
"Existing Listco Contractual Arrangements"	the series of contractual arrangements entered into between, among others, (i) Kindstar Wuhan WFOE (a subsidiary of the Company), Wuhan Kindstar and the Listco VIE Registered Shareholders and (ii) Kindstar Beijing WFOE (a subsidiary of the Company), Kindstar Global Wuhan and the Listco VIE Registered Shareholders
"Listco VIE Registered Shareholders"	the direct shareholders of Wuhan Kindstar and Kindstar Global Wuhan, respectively, being Dr. HUANG and Mr. TU
"Existing Target Contractual Arrangements"	the series of contractual arrangements entered into between the Target WFOE, the Target VIE Operating Entity and the existing Target VIE Registered Shareholders, pursuant to which the Target WFOE controls (and obtains the economic benefits of) the Target VIE Group Entities
"General Mandate"	the general mandate granted to the Directors pursuant to an ordinary resolution passed by the Shareholders at the annual general meeting of the Company held on June 5, 2024, pursuant to which the Directors are authorized to allot, issue and deal with 197,424,539 Shares, being 20% of the then total number of issued Shares as at the date of passing such resolution
"Global Offering"	the global offering of the Shares in connection with the Listing
"Group"	the Company and its subsidiaries (including the PRC Consolidated Entities)
"Guangzhou KingMed"	Guangzhou KingMed Diagnostic Group Co. Ltd. (廣州金域醫學檢驗集團股份有限公司), a joint stock company incorporated under the laws of the PRC with limited liability

"IFRS"	International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
"Independent Valuer"	Shanghai PG Advisory Co., Ltd. (上海樸谷企業管理諮詢有限公司), a qualified independent valuer in the PRC
"IVD product"	in vitro diagnostic products, the reagents, instruments, and systems intended for use in diagnosis of disease or other conditions, including a determination of the state of health, in order to cure, mitigate, treat, or prevent disease or its sequelae
"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)科技有限公司)), a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of the Company
"Kindstar Global Wuhan"	Kindstar Global (Wuhan) Medical Esoteric Technology Co., Ltd. (康聖環球(武漢)醫學特檢技術有限公司), a limited liability company established in the PRC and a PRC Consolidated Entity
"Kindstar 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
"Ligang Capital"	Ligang Capital Partners L.P., a limited liability partnership established under the laws of Cayman Islands
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on July 16, 2021
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Marathon Venture"	Marathon Venture Partners, L.P., an exempted limited partnership established under the laws of Cayman Islands
"Mr. TU"	Mr. TU Zanbing (涂贊兵), an executive Director
"New Target Contractual Arrangements"	the series of contractual arrangements contemplated to be entered into between the Target WFOE, the Target VIE Operating Entity and the new Target VIE Registered Shareholders, pursuant to which the Target WFOE controls (and obtains the economic benefits of) the Target VIE Group Entities

"Northern Light"	Northern Light Venture Capital III, Ltd., a limited liability company established under the laws of Cayman Islands
"OrbiMed"	OrbiMed Asia Partners IV, L.P., an exempted limited partnership duly registered in the Cayman Islands
"PRC" or "China"	the People's Republic of China
"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
"Prospectus"	the prospectus of the Company dated June 29, 2021
"Qualification Requirements"	According to the Interim Measures for the Administration of Sino-Foreign Joint Ventures and Cooperative Medical Institutions (《中外合資、合作醫療機構管理暫行辦法》) (the "**Interim Measures**") effective from July 1, 2000, foreign investors are not allowed to hold more than 70% of the equity interest in a sino-foreign joint venture medical institution. Furthermore, under the Interim Measures, the parties to the sino-foreign joint venture medical institution shall have direct or indirect experience in medical or healthcare investments and managements, and must satisfy at least one of the following requirements: (i) the ability to provide world-class management experience, management model and service model for medical institution; (ii) the ability to provide world-class medical technologies and equipment; or (iii) the ability to improve local medical capability, technology, fund and medical equipment
"RMB"	Renminbi, the lawful currency of the PRC
"Sellers"	AnchorDx HK and the Target WFOE Domestic Sellers, each a "Seller"
"Share(s)"	ordinary share(s) in the share capital of the Company with a par value of US$0.00025 each
"Shareholder(s)	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (as amended, supplemented or otherwise modified from time to time)
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Suzhou Frontline BioVentures"	Suzhou Frontline BioVentures Venture Capital Fund II L.P. (蘇州通和二期創業投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC

"Suzhou 6Dimensions"	Suzhou 6Dimensions Venture Capital Partnership L.P. (蘇州通和毓承投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC
"Suzhou Serica Jianxin"	Suzhou Serica Jianxin Venture Capital Fund L.P. (蘇州思嘉建信創業投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC
"Target Companies"	the Target WFOE and the Target US Company
"Target US Company"	AnchorDx Inc., a corporation incorporated under the laws of the State of California on June 4, 2019 which is wholly-owned by AnchorDx HK as at the date of this announcement
"Target VIE Group Entities"	the Target VIE Operating Entity and the Target VIE Subsidiary, and each a "Target VIE Group Entity"
"Target VIE Operating Entity"	Guangzhou Jizhun Medical Co., Ltd.* (廣州市基准醫療有限責任公司), a limited liability company incorporated in the PRC on August 25, 2015 which is controlled by the Target WFOE by way of the Existing Target Contractual Arrangements as at the date of this announcement
"Target VIE Registered Shareholders"	the registered shareholders of the Target VIE Operating Entity
"Target VIE Subsidiary"	Guangzhou Jizhun Medical Laboratory Co., Ltd.* (廣州基准醫療檢驗所有限公司), a limited liability company incorporated in the PRC on January 25, 2017 which is wholly-owned by the Target VIE Operating Entity as at the date of this announcement
"Target WFOE"	Guangzhou Kangcheng Weiye Biotechnology Co., Ltd.* (廣州康丞唯業生物科技有限公司), a wholly foreign-owned company incorporated in the PRC on September 14, 2015
"Target WFOE Domestic Sellers"	Guangzhou KingMed, Suzhou Frontline BioVentures, Suzhou 6Dimensions, Suzhou Serica Jianxin, WuXi App and Zhong Jianxin, and each a "Target WFOE Domestic Seller"
"AnchorDx Cayman Preferred Shareholders"	ARCH Venture Fund, Ligang Capital, Marathon Venture, Northern Light, OrbiMed, Wuxi Anchor, WuXi PharmaTech and Ying TAN, and each a "Target WFOE Preferred Shareholder"
"Target WFOE Subsidiary"	Guangzhou Kangcheng Weiye Biotechnology Co., Ltd.* (廣州康承唯業生物科技有限公司), a limited liability company incorporated in the PRC on January 9, 2023, which is wholly-owned by the Target WFOE as at the date of this announcement

"Transaction Agreement"	The transaction document dated September 20, 2024 entered into among the Company, Kindstar Wuhan WFOE, the Target WFOE, the Target US Company, AnchorDx HK, the Target WFOE Domestic Sellers, Wuxi Anchor, OrbiMed, Jian-Bing FAN and the AnchorDx Cayman Preferred Shareholders (except Wuxi Anchor and OrbiMed) in relation to (among others) the Acquisitions
"US$"	United States dollars, the lawful currency of the United States
"Waiver"	the waiver granted to the Company by the Stock Exchange prior to the Listing from strict compliance with certain requirements under Chapter 14A of the Listing Rules
"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
"Wuxi Anchor"	WXHY Anchor Investment, LP, an exempted limited partnership duly registered in the Cayman Island
"WuXi App"	WuXi App Investment Ventures I (無錫藥明康德一期投資企業(有限合夥)), a limited liability partnership established under the laws of the PRC
"WuXi PharmaTech"	WuXi PharmaTech Healthcare Fund I L.P., a limited liability partnership established under the laws of Cayman Islands
"Zhong Jianxin"	Zhong Jianxin Holdings Group Co., Ltd. (中建信控股集團有限公司), a limited liability company established under the laws of the PRC
"%"	per cent

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, September 20, 2024

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

* *For identification purpose*

Appendix I

FURTHER INFORMATION REGARDING THE VALUATION OF THE TARGET WFOE AND THE TARGET US COMPANY

(A) Further information regarding the valuation of the Target WFOE

The Independent Valuer assessed that the value of all shareholders' equity interest in the Target WFOE based on the asset-based approach as of the valuation benchmark date (i.e. June 30, 2024) was approximately US$31.50 million.

Reasons for selecting the asset-based approach

The Independent Valuer believes that the main purpose of establishing the Target WFOE is to develop in vitro diagnostic products such as early cancer screening and early diagnosis gene testing. As of the valuation benchmark date, the main research and development products of the Target WFOE are three projects: UriFind(泌益檢) - Early Screening for Uroepithelial Carcinoma, PulmoSeek (費益檢)- Early Screening for Lung Cancer, and Gastromia (衛益檢) - Early Screening for Gastric Cancer. Except for the UriFind(泌益檢) - Early Screening for Uroepithelial Carcinoma in the PRC market, there are no corresponding commercialized products yet. The Target WFOE currently has no clear plans for its subsequent research and development. The UriFind(泌益檢) - Early Screening for Uroepithelial Carcinoma in the PRC market is also in the early commercial stage and has not yet generated stable income on a large scale. Therefore, it is appropriate to use the asset-based approach for this valuation, which estimates only from the perspective of the assets reported on the balance sheet.

The Target WFOE has not generated stable revenue and has been in a state of long-term loss for the financial year ended 31 December 2023 and the half-year ended 30 June 2024. The use of recent operational data is insufficient to form a reliable and solid basis for predictions, and the use of forecasts will involve a large number of uncertain long-term forecast estimates and fundamental assumptions. Therefore, it is not appropriate to use the income approach for this valuation.

Due to the fact that the Target WFOE is a non-listed company, there are significant differences in business structure, operating model, company size, asset allocation and usage, business stage, growth potential, operational risks, and financial risks compared to listed companies in the same industry. Therefore, it is not possible to identify and select listed companies with similar financial and operational characteristics as the Target WFOE. Moreover, since the business model of Target WFOE has not yet achieved mature commercialization, its revenue has not reached a stable level, and the profits during the historical period were all negative. There is also no suitable market multiple applicable to Target WFOE. At the same time, due to the inability to obtain effective comparable transaction cases, the market approach is not adopted for this valuation.

Asset-based approach and valuation assumptions

The asset-based approach in equity value estimation refers to the valuation method that determines the equity value of the Target WFOE based on the balance sheet of the Target WFOE as of the valuation benchmark date, by reasonably estimating the value of various assets and liabilities of the Target WFOE. The explanation of various assets and liabilities is as follows:

Except for non-current assets – intangible assets on the balance sheet, the current assets and non-current assets of the Target WFOE are valued at book value, and on this basis, the market value of off-balance sheet and on-balance sheet intangible assets is additionally considered. The valuation results of current liabilities and non-current liabilities are determined based on the actual liabilities items and amounts undertaken by the enterprise.

(1) REPLACEMENT COST METHOD

The intangible assets involved in this valuation include the research and development ("R&D") technology related to the Company's main products under development. Regarding the valuation of this intangible asset, based on the replacement cost of the relevant R&D investment, considering the long development cycle of the project, the necessary capital cost, and the reasonable return on investment for the project under research, the valuation result of the intangible asset was determined.

Basic formula of cost method:

The value of intangible assets = the sum of the replacement costs of various R&D investments + capital costs + reasonable profit

The cost method in the valuation of individual intangible assets refers to the historical cost of research and development inputs provided by the enterprise for R&D projects, adjusted using the market price change coefficient applicable as of the valuation benchmark date, or referenced against market prices and ask prices, to determine the replacement cost of the R&D project.

(2) KEY ASSUMPTIONS OF THE REPLACEMENT COST METHOD

(a) Capital cost

The loan interest rate published by the National Interbank Funding Center authorized by the People's Bank of China is adopted. The Loan Prime Rate (LPR) on 20 June 2024 is: the 1-year LPR is 3.45%, and the LPR for more than 5 years is 3.95%.

(b) Return on investment

When considering the reasonable return on investment for research and development projects, the selection criteria for comparable companies include the following items:

i. The selected comparable companies are publicly listed, primarily involving all companies of Hong Kong stocks, A-shares, and US stocks within the scope of in vitro diagnostics and medical testing industries;

ii. Exclude the listed companies with business models and operations that are obviously not comparable;

iii. Exclude listed companies where the combined proportion of reagent kit revenue and testing service revenue to total revenue is less than 80%; and

iv. Exclude listed companies with an operating profit margin difference exceeding 20% and not profitable during the period from 2019 to the first half of 2024.

According to the above company selection criteria, the operating data of the companies was obtained from Capital IQ (a reliable third-party data service provider designed by Standard & Poor's (S&P)), and the Independent Valuer has obtained listed companies that meet the above selection criteria to the utmost extent and calculated their investment return rates. Considering that the Target WFOE has not yet achieved mature commercialization and has not generated stable income or profit, we have selected the lower quartile return on investment of 14.6% as the return on investment for the Target WFOE's intangible assets.

The formula for calculating the return on investment is as follows: return on Investment = earnings before interest and taxes/(cost + expenses)

Valuation benchmark adjustment

Considering the financial situation, financing ability and product commercialization ability of the Target WFOE, and considering that currently the biggest value of the Target WFOE is intangible assets, which is relatively difficult to realize, the Independent Valuer has adjusted the valuation result of the cost method by referring to the Moore Control Premium & Discount For Lack Of Marketability Study, with an adjustment ratio of 21.3%.

(B) Further information regarding the valuation of the Target US Company

The Independent Valuer assessed that the value of all shareholders' equity interest in the Target US Company based on the asset-based approach as of the valuation benchmark date (i.e. June 30, 2024) was approximately US$410,000.

Reasons for selecting the asset-based approach

The Target US Company internally undertook the functions of the US R&D center within the AnchorDx Cayman group, as well as local pipeline-related registration, clinical, and certification functions in the United States. From the perspective of its individual profitability, there has been no revenue in historical years, and the AnchorDx Cayman group currently has no plans to adjust it to a profit-making segment. Therefore, it can only be estimated from the perspective of the asset composition reported on the balance sheet.

All assets and liabilities of the Target US Company on the valuation benchmark date can be identified, and each asset and liability can be individually estimated using appropriate valuation methods. In summary, the asset-based approach can be adopted.

Since the Target US Company is a non-listed company, and the business structure, operating model, enterprise scale, asset allocation and usage, business stage, growth potential, operational risk, and financial risk factors of listed companies in the same industry differ significantly from those of the Target US Company. Additionally, there are few comparable transactions, acquisitions, and mergers of companies in the same industry in China near the valuation benchmark date. Therefore, it is difficult to obtain relevant and reliable operational and financial data for comparable transactions, making it impossible to calculate appropriate value ratios. As a result, the market approach is not applicable for this valuation.

From the perspective of the applicability conditions of the income approach, the Target US Company undertakes relatively single functions within the AnchorDx Cayman group, has no revenue in historical years, and the Target US Company itself currently has no business adjustment rights, so it is impossible to reasonably estimate the future business scale growth. In summary, it is not appropriate to use the income approach for this valuation.

The Target Companies only possess fixed assets in the form of machinery and equipment used for daily research and development. According to the purpose of this valuation, based on the principle of continuous use, and using market prices as a reference, combined with the characteristics of the equipment and the collected data, the replacement cost method is mainly used to estimate equipment assets.