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

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

The Board is pleased to announce that on November 30, 2021, Kindstar Wuhan WFOE entered into the Equity Transfer Agreement with the Target Company, Dr. Huang and Dr. Li Xiaoqing in relation to the acquisition of 21.77% equity interest in the Target Company by Kindstar Wuhan WFOE at a total consideration of RMB10,657,900.

On the even date, Kindstar Wuhan WFOE, the Partnership, Kindstar Beijing WFOE, Dr. Huang and Dr. Li Xiaoqing entered into the Capital Increase Agreement with the Target Company pursuant to which, among others, each of Kindstar Wuhan WFOE and the Partnership agreed to make a contribution of RMB15,000,000, by way of cash, to the Target Company.

Upon completion of the Acquisition and Capital Increase, the Target Company will be held as to 51.10% by the Company through Kindstar Wuhan WFOE and Kindstar Beijing WFOE, and will become a non wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As of the date of this announcement, Dr. Huang is an executive Director and a substantial shareholder of the Company, hence also a connected person of the Company. Accordingly, the Acquisition and Capital Increase constitute connected transactions of the Company. Under Rule 14A.81 of the Listing Rules, as the Acquisition and Capital Increase both involve the acquisition of interests in the Target Company within 12 months, they are required to be aggregated as if they were one transaction.

As the highest applicable percentage ratio in respect of the Acquisition and Capital Increase, when aggregated, exceeds 0.1% but is less than 5%, the Acquisition and Capital Increase will only be subject to the reporting and announcement requirements but are exempt from the circular and the independent shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out below:

Date

November 30, 2021

Parties

- (1) Kindstar Wuhan WFOE (as transferee);
- (2) Dr. Huang (as transferor);
- (3) Dr. Li Xiaoqing (as transferor); and
- (3) the Target Company.

Subject Matter

Pursuant to the Equity Transfer Agreement, Kindstar Wuhan WFOE agreed to acquire, and Dr. Huang and Dr. Li Xiaoqing agreed to sell, 18.03% and 3.74% equity interest in the Target Company, respectively.

Consideration

The total consideration for the Acquisition shall be RMB10,657,900 which is the sum of (i) RMB8,826,300, representing the consideration for the transfer of 18.03% equity interest in the Target Company from Dr. Huang, and (ii) RMB1,831,600, representing the consideration for the transfer of the 3.74% equity interest in the Target Company from Dr. Li Xiaoqing. The consideration was determined after arm's length negotiations with the transferors based on a valuation of the Target Company of RMB48,950,000, taking into account the past financial performance of the Target Group and the potential growth of its business, in particular its (a) price-to-earnings ratio and (b) price-to-sales ratio, both with reference to companies in the in vitro diagnostics industry whose shares are traded on the Shanghai Stock Exchange and Shenzhen Stock Exchange.

The Group will satisfy such consideration in cash using the Group's net proceeds from the Global Offering designated for its expansion across the industry value chain.

The original acquisition cost of Dr. Huang for his 18.03% equity interest in the Target Company, which will be transferred to Kindstar Wuhan WFOE under the Equity Transfer Agreement, is approximately RMB1,803, representing the capital contribution in relation to the 18.03% equity interest in the Target Company.

Payment Terms

Pursuant to the Equity Transfer Agreement, the consideration for the Acquisition shall be payable in the following manner:

- First instalment: Within 15 days after the execution of the Equity Transfer Agreement, Kindstar Wuhan WFOE shall pay 50% of the consideration to Dr. Huang and Dr. Li Xiaoqing, respectively; and
- Second instalment: Upon the completion of the change in the industrial and commercial registration in relation to the transfer of 21.77% equity interest in the Target Company and satisfaction of the conditions precedent, Kindstar Wuhan WFOE shall pay the remaining consideration to Dr. Huang and Dr. Li Xiaoqing, respectively.

Conditions Precedent for Payment Obligations

Kindstar Wuhan WFOE's payment obligation under the Equity Transfer Agreement is conditional upon satisfaction or waiver of the following conditions:

- (1) Kindstar Wuhan WFOE or its advisor(s) having completed the due diligence in relation to the Target Company and been satisfied with the results;
- (2) the Equity Transfer Agreement and other related transaction documents coming into effect without breach on the part of any of the parties, and all representations and warranties under the Equity Transfer Agreement being true, accurate, complete and not falsely stated or misleading;
- (3) the parties having obtained all necessary internal approvals, including but not limited to approvals of their respective general meetings, board of directors and other internal governing bodies, the other shareholders of the Target Company having waived their rights of first refusal, and provided the transferee with the original copy of the relevant resolutions;
- (4) the parties having obtained the approval of the relevant authorities or government agencies for the Acquisition, if necessary; and
- (5) the Target Company continuing to operate normally in accordance with the law and having not experienced any material adverse changes in its business, technology, operations, employees (including its management team and core staff), organizational structure, assets and financial condition.

If the conditions precedent are not fulfilled or waived within five business days after the execution of the Equity Transfer Agreement, Kindstar Wuhan WFOE shall be entitled not to pay the consideration for the Acquisition.

Completion

Completion of the Acquisition shall take place upon completion of the change in the industrial and commercial registration in relation to the transfer of equity interest in the Target Company. Upon completion of the Acquisition, the Target Company will be held as to 15.97% by Dr. Huang, 32.26% by Dr. Li Xiaoqing, 30% by Kindstar Beijing WFOE and 21.77% by Kindstar Wuhan WFOE. As more than 50% of equity interest in the Target Company will be held by the Company indirectly, the Target Group will be accounted for and consolidated in the consolidated accounts of the Company as subsidiary.

Operating revenue and profit guarantee

The Target Company undertakes that its operating revenue and profit for the year ending December 31, 2021 will not be lower than 95% of the target (i.e. the operating revenue will not be lower than 95% of RMB7,500,000 and the net profit will not be lower than 95% of RMB3,000,000), otherwise Kindstar Wuhan WFOE is entitled to demand the transferors to transfer the equity interest in the Target Company to Kindstar Wuhan WFOE without consideration as compensation (the “**Compensation Equity Interest**”).

The Compensation Equity Interest entitled by Kindstar Wuhan WFOE will be calculated as follows:

$$\left(\frac{\text{RMB48,950,000}}{\text{Adjusted valuation of the Target Company}^*} - 1 \right) \times \text{Amount of equity interest transferred to Kindstar Wuhan WFOE from the transferors under the Equity Transfer Agreement}$$

* *The adjusted valuation of the Target Company is the lower of 6.5 times of the sales or 18.6 times of the profit of the Target Company for the year ending December 31, 2021 (with reference to the median price-to-sales ratio or price-to-earnings ratio of companies in the in vitro diagnostics industry)*

THE CAPITAL INCREASE

The principal terms of the Capital Increase Agreement are set out below:

Date

November 30, 2021

Parties

- (1) Kindstar Wuhan WFOE;
- (2) the Partnership (together with Kindstar Wuhan WFOE, the “**Investors**”);
- (3) Kindstar Beijing WFOE;

- (4) Dr. Huang;
- (5) Dr. Li Xiaoqing; and
- (6) the Target Company

Subject Matter

Pursuant to the Capital Increase Agreement, i) each of the Investors will make a capital contribution to the Target Company of RMB15,000,000 in cash to subscribe for RMB190,000 of the new registered capital of the Target Company (“**Investment Amount**”); and ii) the original shareholders of the Target Company will make the following capital contributions to the Target Company on a pro rata basis: Kindstar Beijing WFOE will make a capital contribution of RMB183,000 to subscribe for RMB183,000 of the new registered capital of the Target Company; Dr. Huang will make a capital contribution of RMB97,400 to subscribe for RMB97,400 of the new registered capital of the Target Company; Dr. Li Xiaoqing will make a capital contribution of RMB196,800 to subscribe for RMB196,800 of the new registered capital of the Target Company; and Kindstar Wuhan WFOE will make a capital contribution of RMB132,800, which will be deducted from the Kindstar Wuhan WFOE’s Investment Amount, to subscribe for RMB132,800 of the new registered capital of the Target Company. The remaining Investment Amount will be contributed to the capital reserve of the Company. Upon the completion of the Capital Increase, the registered capital of the Target Company will be increased from RMB10,000 to RMB1,000,000.

The Group will satisfy such consideration in cash using the Group’s net proceeds from the Global Offering designated for its expansion across the industry value chain.

The table below sets out the shareholding structure of the Target Company immediately before (but after the Acquisition) and after the completion of the Capital Increase Agreement:

Name of shareholder	Immediately before the completion of Capital Increase (but after the Acquisition)		Immediately following the completion of Capital Increase	
	Amount of registered capital (RMB’000)	Percentage of equity interest (%)	Amount of registered capital (RMB’000) <i>Approximately</i>	Percentage of equity interest (%) <i>Approximately</i>
Kindstar Wuhan WFOE	2.177	21.77	325	32.5
the Partnership	0	0	190	19
Kindstar Beijing WFOE	3	30	186	18.6
Dr. Huang	1.597	15.97	99	9.9
Dr. Li Xiaoqing	3.226	32.26	200	20
Total	<u>10</u>	<u>100</u>	<u>1,000</u>	<u>100</u>

Basis of Consideration

The consideration for the capital contribution by the Investors was determined after arm's length negotiations among the parties based on a pre-money valuation of the Target Company of RMB48,950,000, with reference to the value of the Acquisition.

The consideration for the capital contribution by the remaining shareholders are at par value and with reference to the registered capital.

Use of Capital Contribution

The Target Company undertakes that the use of capital contribution will be limited to research and development, construction of GMP (Good Manufacturing Practice) factory and registration of in vitro diagnostic reagents' licenses.

Conditions Precedent for Payment Obligations

The Investors' payment obligations under the Capital Increase Agreement are conditional upon satisfaction or waiver of the following conditions:

- (1) The Investors and their advisor(s) having completed the due diligence in relation to the Target Company and been satisfied with the results;
- (2) the Capital Increase Agreement and other related transaction documents coming into effect without breach on the part of any of the parties, and all representations and warranties under the Capital Increase Agreement being true, accurate, complete and not falsely stated or misleading;
- (3) the parties having obtained all necessary internal approvals, including but not limited to approvals of their respective general meetings, board of directors and other internal governing bodies, and the other shareholders of the Target Company having waived their rights of first refusal, and provided the Investors with the original copy of the relevant resolutions;
- (4) the controlling shareholders and the Target Company having obtained the approval of the relevant authorities or government agencies for the Capital Increase, if necessary; and
- (5) the Target Company continuing to operate normally in accordance with the law and having not experienced any material adverse changes in its business, technology, operations, employees (including its management team and core staff), organizational structure, assets and financial condition.

If the conditions precedent are not fulfilled or waived within five business days after the execution of the Capital Increase Agreement, the Investors shall be entitled not to pay the capital contribution and to terminate Capital Increase Agreement.

Payment Terms

Pursuant to the Capital Increase Agreement, the capital contribution shall be payable to the designated bank account of the Target Company within 30 days after the effective date of the Capital Increase Agreement.

Completion

Completion of the Capital Increase shall take place upon completion of the change in the industrial and commercial registration.

Operating revenue and profit guarantee

The Target Company undertakes that its operating revenue and profit for the year ending December 31, 2021 will not be lower than 95% of the target (i.e., the operating revenue will not be lower than 95% of RMB7,500,000 and the net profit will not be lower than 95% of RMB3,000,000, otherwise the Investors are entitled to demand Dr. Huang and Dr. Li Xiaoqing to transfer the equity interest in the Target Company to the Investors without consideration as compensation (the “**Compensation Equity Interest**”).

The Compensation Equity Interest entitled by the Investors will be calculated as follows:

$$\left(\frac{\text{RMB48,950,000}}{\text{Adjusted valuation of the Target Company}^*} - 1 \right) \times \text{Amount of equity interest subscribed by the Investors under the Capital Increase Agreement}$$

* *The adjusted valuation of the Target Company is the lower of 6.5 times of the sales or 18.6 times of the profit of the Target Company for the year ending December 31, 2021 (with reference to the median price-to-sales ratio or price-to-earnings ratio of companies in the in vitro diagnostics industry)*

INFORMATION OF THE PARTIES

The Company, Kindstar Wuhan WFOE and Kindstar Beijing WFOE

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 is a limited liability company established under the laws of the PRC on September 11, 2020 and one of the Company's subsidiaries. Its principal activity is investment holding.

Kindstar Beijing WFOE is a limited liability company established in the PRC on November 20, 2007 and one of the Company's subsidiaries. Its principal activity is investment holding.

The Partnership

The Partnership is a limited partnership established on September 18, 2021 under the laws of the PRC. As of the date of this announcement, Wuhan Booth is the general partner of the Partnership and Kindstar Wuhan Investment, Ezhou Changda and Gedian Investment are the limited partners of the Partnership. The Partnership is not accounted for and consolidated in the consolidated accounts of the Company as a subsidiary. For further details of the Partnership, please refer to the Company's announcement dated September 15, 2021.

The Target Company

The Target Company is a limited liability company established under the laws of the PRC on August 18, 2020. Its principal activity is investment holding and holds the entire equity interest in Haixi Biotech. Haixi Biotech is primarily engaged in the research and development, manufacturing and sales of reagent consumables.

As of the date of this announcement, the Target Company is held as to 34% by Dr. Huang, 36% by Dr. Li Xiaoqing and 30% by Kindstar Beijing WFOE.

Set out below is a summary of the unaudited financial information of the Target Group for the years ended December 31, 2019 and 2020:

	For the year ended December 31,	
	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Profit before taxation	58	1,054
Profit after taxation	58	968

The book value of the unaudited net assets of the Target Group as of June 30, 2021 was approximately RMB4.06 million.

Dr. Huang

Dr. Huang is an executive Director, the chairman of the Board, chief executive officer, chief medical officer and a substantial shareholder of the Company, hence also a connected person of the Company.

Dr. Li Xiaoqing

Dr. Li Xiaoqing is the director of research and development department of the Group. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Dr. Li Xiaoqing is not a connected person of the Company and is independent of the Company's connected persons for the purpose of the Listing Rules.

REASONS FOR AND BENEFITS OF THE ACQUISITION AND CAPITAL INCREASE

Upon completion of the Acquisition, the Target Company will become a non wholly-owned subsidiary of the Group. The Board is of the view that the Acquisition and the Capital Increase would be beneficial to the Company and its shareholders as a whole as they could (i) solidify the Company's control of and dominance over the business operations and development of the Target Group; (ii) promote and realize the Group's strategy to expand into the upstream of esoteric clinical testing service i.e. research, manufacturing and sales of reagents; and (iii) further enhance the Company's profitability as a result of the increase in its shareholding in the Target Company. Meanwhile, the Capital Increase will also provide the Target Group the necessary financial resources for its research and development, construction of GMP (Good Manufacturing Practice) factory and registration of in vitro diagnostic reagents' licenses.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement and Capital Increase Agreement are fair and reasonable, and the Acquisition and Capital Increase are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As of the date of this announcement, Dr. Huang is an executive Director and a substantial shareholder of the Company, hence also a connected person of the Company. Accordingly, the Acquisition and Capital Increase constitute connected transactions of the Company. Under Rule 14A.81 of the Listing Rules, as the Acquisition and Capital Increase both involve the acquisition of interests in the Target Company within 12 months, they are required to be aggregated as if they were one transaction.

As the highest applicable percentage ratio in respect of the Acquisition and Capital Increase, when aggregated, exceeds 0.1% but is less than 5%, the Acquisition and Capital Increase will only be subject to the reporting and announcement requirements but are exempt from the circular and the independent shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

Given the interest of Dr. Huang in the Acquisition and Capital Increase, he has abstained from voting at the Board meeting approving the Acquisition and Capital Increase. Save as disclosed above, none of the Directors have any material interest in the Acquisition and Capital Increase and no Director was required to abstain from voting on the relevant Board resolutions.

DEFINITIONS

“Acquisition”	the proposed acquisition of 21.77% equity interest in the Target Company by Kindstar Wuhan WFOE pursuant to the terms and conditions of the Equity Transfer Agreement
“Board”	the board of Directors
“Capital Increase”	the proposed capital increase in the Target Company pursuant to the terms and conditions of the Capital Increase Agreement
“Capital Increase Agreement”	the capital increase agreement dated November 30, 2021 entered into among Kindstar Wuhan WFOE, the Partnership, Kindstar Beijing WFOE, Dr. Huang, Dr. Li Xiaoqing and the Target Company with respect to the Capital Increase
“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 of Hong Kong Limited
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“Dr. Huang”	Dr. Huang Shiang (黃士昂), an executive Director, the chairman of the Board, chief executive officer, chief medical officer, and a substantial shareholder of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated November 30, 2021 entered into among Kindstar Wuhan WFOE, Dr. Huang, Dr. Li Xiaoqing and the Target Company with respect to the Acquisition
“Ezhou Changda”	Ezhou Changda Asset Management Co., Ltd. (鄂州市昌達資產經營有限公司), a limited liability company established under the laws of the PRC and a limited partner of the Partnership
“Gedian Investment”	Hubei Gedian Development Zone Construction Investment Co., Ltd. (湖北省葛店開發區建設投資有限公司), a limited liability company established under the laws of the PRC and a limited partner of the Partnership
“Global Offering”	the global offering of the Shares in connection with the Listing
“Group”	the Company and its subsidiaries (including the PRC Consolidated Entities)
“Haixi Biotech”	Wuhan Haixi Bio-technology Co., Ltd. (武漢海希生物科技有限公司), a limited liability company established under the laws of the PRC and wholly-owned by the Target Company
“Kindstar Wuhan Investment”	Kindstar Global (Wuhan) Investment Management Co., Ltd. (康聖環球(武漢)投資管理有限公司), a limited liability company established under the laws of the PRC and a PRC Consolidated Entity
“Kindstar 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 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
“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

“Partnership”	Hubei Rivercity Kindstar Industry Investment Fund Partnership (Limited Partnership) (湖北瑞江康聖產業投資基金合夥企業(有限合夥)), a limited partnership established under the laws of the PRC
“PRC”	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
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	ordinary share(s) in the share capital of the Company with a par value of US\$0.00025 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Target Company”	Wuhan Haixi Life Science Technology Co., Ltd. (武漢海希生命科技有限公司), a limited liability company established under the laws of the PRC
“Target Group”	the Target Company and Haixi Biotech
“Wuhan Booth”	Wuhan Booth Investment Information Co., Ltd. (武漢布斯投資資訊有限公司), a limited liability company established under the laws of the PRC and the general partner of the Partnership
“%”	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, December 1, 2021

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