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Mega Genomics Limited

美因基因有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6667)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Mega Genomics Limited (the “**Company**”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022.

In this announcement, “we,” “us,” and “our” refer to the Company and where the context otherwise requires, the Group.

HIGHLIGHTS

Key Financial Data

The table below sets forth our key financial data for the six months ended 30 June 2022, together with the comparative figures for the corresponding period in 2021 and the change (expressed in percentages or percentage points).

| | For the six months ended 30 June | | Year-on-year change |
|---|-------------------------------------|-------------|--------------------------|
| | 2022 | 2021 | |
| | RMB'000 | RMB'000 | |
| | (Unaudited) | (Unaudited) | |
| Revenue | 97,617 | 96,831 | 0.8% |
| – Consumer genetic testing services | 45,573 | 56,339 | (19.1%) |
| – Cancer screening services | 52,044 | 39,926 | 30.4% |
| – Other services | – | 566 | (100%) |
| Gross profit | 64,416 | 64,412 | 0.01% |
| Gross profit margin | 66.0% | 66.5% | (0.5 percentage points) |
| Adjusted net profit ⁽¹⁾ | 32,974 | 43,484 | (24.2%) |
| Adjusted net profit margin ⁽²⁾ | 33.8% | 44.9% | (11.1 percentage points) |

Notes:

- (1) Adjusted net profit is exclusive of listing expenses and interest on redemption liabilities on ordinary shares.
- (2) Adjusted net profit margin equals adjusted net profit divided by revenue for the period.

* For identification purpose only

Key Operating Data

The table below sets forth the number of tests we performed by type of testing services and the average price of the type of testing services for the periods presented.

| | For the six months ended 30 June | | | |
|-----------------------------------|----------------------------------|-------------------------------------|------------------------------|-------------------------------------|
| | 2022 | | 2021 | |
| | Average price (in RMB) | Testing volume (in thousands) | Average price (in RMB) | Testing volume (in thousands) |
| Consumer genetic testing services | 16.2 | 2,809 | 52.6 | 1,071 |
| Cancer screening services | 337.9 | 154 | 335.5 | 119 |
| Other services | — | — | — | — |
| Total | <u>32.9</u> | <u>2,963</u> | <u>80.8</u> | <u>1,191</u> |

BUSINESS REVIEW AND OUTLOOK

Business Review

Overview

We are a leading genetic testing platform company in China with a focus on consumer genetic testing and cancer screening services. As of 30 June 2022, we performed over 15 million genetic tests since our establishment in 2016, with an average of over 246,000 tests performed per month in 2021. According to Frost & Sullivan, we are the largest consumer genetic testing platform in China in terms of the cumulative number of tests administered. Also, according to Frost & Sullivan, we were the largest genetic testing platform for cancer screening in China as measured by the number of tests administered in 2020. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the prospectus of the Company dated 10 June 2022.

Our Products

Our products are either independently developed by our in-house research and development team or jointly developed via cooperation with our third-party partners.

As of 30 June 2022, we had 91 multi-dimensional commercialized testing solutions for consumer genetic testing and cancer screening that cover a wide range of prices, and 80 of them were comprised of our self-developed services. Our current selective testing services that are more well-received by the market include:

GENERAL testing services

- Apolipoprotein E gene (“**ApoE Gene**”) Testing Package – a service that assesses the risk of developing various related diseases, including Alzheimer’s disease.
- Folate Metabolic Capacity Assessment – a service that assesses the risk of developing hyperhomocysteinemia.
- Parkinson’s Disease Risk Assessment – a service that assesses the risk of developing Parkinson’s disease.
- Full-scale Cancer Risk Assessment Package – a service that assesses the risk of developing cancer of various types.
- Cardiovascular and Cerebrovascular Disease Risk Assessment Package – a service that assesses the risk of developing seven common cardiovascular and cerebrovascular diseases.

ADVANCED testing services

- Hereditary Breast Cancer/Ovarian Cancer Genetic Testing – a service that assesses the risk of developing breast cancer and ovarian cancer.
- Septin9 Colorectal Cancer Screening Test – a service that provides preliminary assessment of whether a person has potentially developed colorectal cancer.
- RNF180/Septin9 Gastric Cancer Screening Test – a service that provides preliminary assessment of whether a person has potentially developed gastric cancer.

EXECUTIVE testing services

- Personal Whole Genome Test Plus – a service that assesses the risk of developing multiple types of diseases and provides interpretation for various individual traits and medication advice for certain common diseases.
- Whole Exome Sequencing Package for Adult – a service that assesses (i) the risk of developing multiple high-risk diseases, hereditary cancers, recessive genetic diseases and types of complex diseases and (ii) multiple drugs, dietary nutrition items, and exercise and fitness items.

In addition to our existing service portfolio, we have been developing eight in vitro diagnostics (“**IVD**”) pipeline products.

Among them, three kits are consumer genetic testing products in our pipeline, including (i) folate metabolic capacity assessment testing kits, which can be used to assess the risk of developing multiple cardiovascular and cerebrovascular diseases; (ii) ApoE gene testing kits, which can be used to assess the risk of developing Alzheimer’s disease; and (iii) BRCA1/BRCA2 gene mutation testing kits, which can be used to assess the risk of developing hereditary breast cancer.

The other five kits are disease screening products in our pipeline, including (i) Alzheimer's disease screening kits; (ii) colorectal cancer screening kits; (iii) gastric cancer screening kits; (iv) lung nodule auxiliary diagnostic kits and (v) cervical cancer screening kits. Our disease screening pipeline covers major diseases with high prevalence that currently lack effective screening methods.

ApoE gene testing kits

Our self-developed ApoE testing kits use extraction-free blood nucleic acid technology and quantitative polymerase chain reaction (“**qPCR**”) platform to detect ApoE gene mutations and assess the risk of Alzheimer's disease. We expect this product to generate synergistic effects with our Alzheimer's disease screening products. The ApoE gene testing kits screen ApoE $\epsilon 4$ carriers, which is the target population that we recommend for periodic testing for Alzheimer's disease.

Our self-developed extraction-free blood nucleic acid technology can effectively save testing costs (eliminating nucleic acid extraction reagents and equipment) and time costs (eliminating the one-hour nucleic acid extraction process). The product has obtained the registration inspection report in May 2022 and is currently in a multi-center clinical trial of approximately 1,200 cases with three hospitals in different regions of China (Tiantan Hospital, etc.) and is expected to obtain the registration certificate in the first half of 2023.

Folate metabolic capacity assessment testing kits

Our self-developed folate metabolic capacity assessment testing kits use extraction-free blood nucleic acid technology and qPCR platform to detect the MTHFR gene and assess the metabolic capacity of folate in order to guide pregnant women to supplement folate and prevent neonatal defects, including neural tube defects. It can also assess the risk of hyperhomocysteinemia, stroke and other cardiovascular and cerebrovascular diseases.

Our self-developed extraction-free blood nucleic acid technology can effectively save testing costs (eliminating nucleic acid extraction reagents and equipment) and time costs (eliminating the one-hour nucleic acid extraction process). The product has obtained the registration inspection report in May 2022 and is currently in a multi-center clinical trial of approximately 1,200 cases with three hospitals in different regions of China (Zhejiang Provincial People's Hospital, etc.) and is expected to obtain the registration certificate in the first half of 2023.

Alzheimer's disease screening kits

Our Alzheimer's disease screening kits are plasma-based miRNA markers testing. The global genetic testing market does not have any commercialized genetic testing kit registered for screening Alzheimer's disease, according to Frost & Sullivan. We are developing this product in collaboration with Tiantan Hospital and conducting multi-center clinical validation with five hospitals in different regions of China. We are using no less than 1,500 samples and machine learning algorithms to determine the suitability of the selected biomarkers.

We expect to develop two types of testing kits using each of multiplex RT-qPCR and NGS technologies.

The NGS kits are expected to include dozens to hundreds of biomarkers and provided as LDT.

The RT-qPCR kits are expected to include two to three biomarkers, and we expect to obtain the registration certificate by the second half of 2024.

Colorectal cancer screening kits

Our product candidates for colorectal cancer screening are plasma-based DNA methylation markers testing.

We are developing this product in collaboration with the 7th Medical Center of Chinese PLA General Hospital. As of 30 June 2022, we have preliminarily finished biomarker candidate selection, and we are conducting multi-center clinical validation with three hospitals in different regions of China. We are using no less than 1,500 samples and machine learning algorithms to determine the suitability of the selected biomarkers.

We expect to develop two types of testing kits using each of qPCR and NGS technologies.

The NGS kits are expected to include dozens to hundreds of biomarkers and provided as LDT.

The qPCR kits are expected to include two to three biomarkers, and we expect to obtain the registration certificate by the first half of 2024.

Gastric cancer screening kits

Our product candidates for gastric cancer screening are plasma-based DNA methylation markers testing.

We are developing this product in collaboration with the 7th Medical Center of Chinese PLA General Hospital. As of 30 June 2022, we have preliminarily finished biomarker candidate selection, and we are conducting multi-center clinical validation with three hospitals in different regions of China. We are using no less than 1,500 samples and machine learning algorithms to determine the suitability of the selected biomarkers.

We expect to develop two types of testing kits using each of qPCR and NGS technologies.

The NGS kits are expected to include dozens to hundreds of biomarkers and provided as LDT.

The qPCR kits are expected to include two to three biomarkers, and we expect to obtain the registration certificate by the first half of 2024.

Lung nodule (benign or malignant) auxiliary diagnostic kits, cervical cancer screening kits and BRCA1/BRCA2 gene mutation testing kits are at the early development stage.

In addition, we developed colloidal gold-based fecal occult blood testing kits and transferrin testing kits to detect gastrointestinal bleeding for the auxiliary diagnosis of colorectal and gastric cancers. As of 30 June 2022, the two IVD kits have obtained registration test reports and completed clinical evaluations. Also, they are currently in the process of preparing to submit for registration acceptance and are expected to receive product registration certificates in early 2023.

Research and Development (“R&D”)

Strong research and development capabilities is vital to our business.

Since our founding in 2016, our research and development has been a major force in the expansion of our testing technology platforms and testing services offerings. We use a market-oriented approach to our research and development strategy. Our research and development team contributes to the development of our company’s growth strategy by tracking industry developments, market demand and competition, and by identifying services and products with significant market potential for commercialization. In the first half of 2022, our research and development expenses increased by 100% compared with the same period of 2021.

Intellectual property and qualification

As of 30 June 2022, three invention patents and two design patents had been granted to us, and four invention patents were under application. In addition, we registered 33 software copyrights and 58 trademarks. We have also been recognized for our innovation, including recognition as a National High-tech Enterprise, Zhongguancun High-tech Enterprise, and Beijing “Specialization, Expertise, Distinction, Innovation” small and mid-size enterprise.

In-House research and development team

We have a strong in-house research and development team, and the team has extensive experience in the genetic testing industry. Approximately 65% of our research and development team members possess a master degree or above in relevant fields from institutions such as the Chinese Academy of Sciences, China Agricultural University and New York University.

Collaboration with third parties

In addition to our in-house R&D team, we also conduct our research and development efforts through collaboration with top physicians and medical experts in China.

Under our collaboration agreements, medical experts work with us during the research and development stage and help with the implementation of clinical trials through recruitment of participating hospitals and trial sample collection. Such collaboration is expected to expedite the process of multi-center clinical trials with large samples and increase the reliability of our products.

Such medical experts would also provide necessary expert opinions during the registration process.

In addition, we expect the authority and reputation of these experts to help with the registration and promotion of our products.

We have the technical know-how for the co-developed products and have joint ownership over relevant intellectual property rights.

We are entitled to submit IVD registration applications for these products and we will be the sole registrant of the IVD registration certificates once approved.

For instance, we collaborated with Director Zhang Wei of Tiantan Hospital to develop IVD testing kits for Alzheimer's disease screening. We collaborated with Director He Yuqi of the 7th Medical Center of Chinese PLA General Hospital to develop IVD testing kits for colorectal and gastric cancer screening. We collaborated with the Director Wang Chaodong of Xuanwu Hospital to develop genetic risk assessment tests for Parkinson's disease.

We also established R&D collaborations with industry-leading service providers, mainly CROs, at different phases of our IVD product registration to ensure our quality management system, manufacturing and clinical trials of IVD product candidates are in line with the National Medical Products Administration of China's regulatory requirements for product registration. Our collaboration with these companies does not grant them any interest in our intellectual property rights. We do not rely on any particular service provider.

As of 30 June 2022, we have established cooperative relationships with the following companies:

Huaguang Innovation (Beijing) Technology Service Co., Ltd. ("**Huaguang**")

It is a top-level third-party certification company for the medical device quality management system with experience in product certification and quality management system certification.

Through collaboration with Huaguang, we established a quality management system that satisfies IVD registration standards and receives guidance in the product registration process to ensure full compliance with applicable regulations and quality management system assessment.

Guangzhou Osmunda Medical Device Technology, Inc. ("**Osmunda**")

It is the leading CDMO service provider in China with four domestic CDMO bases, and has production lines for active devices, passive devices, and IVD reagents. It also has independent inspection and testing centers, physics laboratories, chemical laboratories, PCR laboratories, microbiological inspection clean areas and preparation rooms. We collaborate with Osmunda for contract-commissioned production that complies with relevant regulations.

Jyton-Kannel Medical Technology Co., Ltd. ("**Jyton-Kannel**")

It is a top clinical trial CRO company in China. Our collaboration with Jyton-Kannel is designed to ensure clinical trial compliance.

Testing Technology Platforms

We possess the full range of genetic and molecular diagnostics technologies that support our commercialized testing and R&D applications.

Our testing platforms and technologies include endpoint fluorescent PCR platform, qPCR platform, NGS platform (multiplex PCR library preparation sequencing, whole exome sequencing and whole genome sequencing technologies), whole-genome microarray platform and blood nucleic acid extraction-free technology.

For our existing technology platforms, our R&D team has developed a number of new risk assessment genetic tests covering various specialty areas, including folate metabolism, ApoE gene, P53 gene, Parkinson's disease, ankylosing spondylitis, comprehensive assessment of immunity, cancer risk assessment, cardiovascular and cerebrovascular diseases, digestive system diseases and pharmacogenetic testing.

We continue to develop and commercialize more LDT genetic testing services that utilize these platforms.

Our research and development efforts also focus on the registration of IVD test kits. At present, the following products are under development, including ApoE gene testing kits, folate metabolic capacity assessment testing kits, Alzheimer's screening kits, colorectal cancer screening kits, and gastric cancer screening kits. Three other products are at the early development stage, including lung nodule (benign and malignant) auxiliary diagnosis kits, cervical cancer screening kits, and BRCA1/BRCA2 gene mutation testing kits.

Production Capacity

We conduct testing independently in our laboratory with self-developed testing processes. In order to carry out our broad-spectrum testing process and to satisfy our consumers' needs, we have an advanced and integrated system of technology platforms, including endpoint fluorescent PCR platform, qPCR platform, NGS platform (multiplex PCR library preparation sequencing and exon/whole genome sequencing technologies) and whole-genome microarray platform. We also actively improve existing testing methods based on various testing platforms. Our high-throughput testing platform has a daily capacity of processing 50,000 samples, which is the largest consumer genetic testing and cancer screening platform in China, according to Frost & Sullivan. Our technologies enable us to deliver high-throughput, automated, multi-scenario genetic testing solutions with cost efficiencies.

Production Facility

We have one laboratory located in Beijing, China, with a GFA of approximately 880 sq.m. Our laboratory has obtained External Quality Assessment Certificate for various testing services as well as the PRC Practice License of Medical Institution. Our laboratory has the required registrations and licenses to perform PCR amplification for clinical use.

Business

In the first half of 2022, real economy was significantly affected by the rapid spread of the Omicron variant of COVID-19 in many cities across the country. However, in consideration of future development needs and thanks to the Company's ample cash reserves, we further expanded our sales force and expanded our sales network. As of 30 June 2022, we covered over 1,570 healthcare institutions in more than 340 cities in China, and health checkup centers accounted for approximately 56% of our institutional customers in terms of total number. Our sales and marketing network allows us to deliver genetic testing services to a large portion of the Chinese population. In addition, we cooperate with various e-commerce and online healthcare platforms to expand and enhance our sales and marketing network.

Financial Highlights

| | For the six months ended | | Year-on-year change |
|---|--------------------------|----------------|--------------------------|
| | 30 June | | |
| | 2022 | 2021 | |
| | <i>RMB'000</i> | <i>RMB'000</i> | |
| | (Unaudited) | (Unaudited) | |
| Revenue | 97,617 | 96,831 | 0.8% |
| – Consumer genetic testing services | 45,573 | 56,339 | (19.1%) |
| – Cancer screening services | 52,044 | 39,926 | 30.4% |
| – Other services | – | 566 | (100%) |
| Gross profit | 64,416 | 64,412 | 0.01% |
| Gross profit margin | 66.0% | 66.5% | (0.5 percentage points) |
| Adjusted net profit ⁽¹⁾ | 32,974 | 43,484 | (24.2%) |
| Adjusted net profit margin ⁽²⁾ | 33.8% | 44.9% | (11.1 percentage points) |

Notes:

- (1) Adjusted net profit is exclusive of listing expenses and interest on redemption liabilities on ordinary shares.
- (2) Adjusted net profit margin equals adjusted net profit divided by revenue for the period and multiplied by 100%.

Revenue

For the six months ended 30 June 2022, we achieved total revenue of RMB97.6 million, with an increase of RMB0.8 million, or 0.8%, compared to RMB96.8 million for the same period in 2021. The revenue generated from consumer genetic testing services and cancer screening services for the six months ended 30 June 2022 was RMB45.6 million and RMB52.0 million, respectively. The year-on-year decrease in revenue from consumer genetic testing services was mainly due to the significant decrease in revenue from COVID-19-related testing services as a result of the government's request to reduce the price of COVID-19 diagnostic tests. Revenue from cancer screening services showed a steady and consistent growth trend, driven by an optimized product and service portfolio focused on those testing services with relatively high average unit prices and gross margins, and our ability to effectively control costs.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2022, we recorded a consolidated gross profit of RMB64.4 million, with an increase of 0.01% year-on-year, of which RMB23.6 million and RMB40.8 million were attributable to consumer genetic testing services and cancer screening services, respectively. The 36% year-on-year increase in gross profit from cancer screening services was driven by the optimization of our product and service portfolio and our ability to effectively control costs.

For the six months ended 30 June 2022, our consolidated gross profit margin was 66.0%. The gross profit margin for our cancer screening services was 78.5% for the six months ended 30 June 2022, with a 3.3 percentage points year-on-year increase, primarily driven by our ability to effectively control costs. The gross profit margin for consumer genetic testing services decreased 8.4 percentage points on a year-on-year basis, due to a decrease in the average unit price of testing services related to COVID-19 during the period due to government regulatory requirements.

Non-HKFRS Measures: Adjusted Net Profit and Adjusted Net Profit Margin

For the six months ended 30 June 2022, our adjusted net profit was RMB33.0 million, representing a decrease of RMB10.5 million or 24.2% year-on-year compared to RMB43.5 million for the same period in 2021. During the same period, our adjusted net profit margin decreased from 44.9% to 33.8%, mainly due to the increase in staff costs as the Company increased marketing efforts and enriched marketing talent pool. At the same time, as our research and development progressed, some projects entered the clinical trial stage, sample volume increased and various reagents, sequencing and other expenses increased.

Prospects and Outlook

Further exploiting the consumer genetic testing market in China

According to Frost & Sullivan, the penetration of the consumer genetic testing market in China is expected to grow from 0.8% to 11.6% from 2020 to 2030. During this process, more standards regarding consumer genetic testing industry will be established and the prevention and treatment guidelines or expert consensus for common diseases will be formed gradually. We believe it is critical to drive industry standards more rapidly.

We will strengthen our partnerships with industry leaders to establish industry standards through key opinion leaders. This includes organizing academic meetings, collaborating with experts in scientific research, and conducting retrospective data analysis, etc. We will also strengthen our efforts to accelerate the education of medical institutions and increase market penetration more quickly by popularizing industry standards.

Further exploiting the cancer screening test market in China

We plan to further increase the penetration of cancer screening. The current market is basically aware of cancer screening, especially in the field of digestive tract tumors, blood methylation screening for intestinal cancer has gradually and widely reached consumers and has achieved good response. We will further strengthen the automation level of production to reduce the production cost and accelerate the research and development and application of blood methylation products for digestive tract tumors to improve the sensitivity and specificity of screening. This is to make the blood methylation screening for intestinal cancer have better socio-economic value.

Expanding our research and development strength and enriching our product matrix

We will vigorously expand our research and development strength. In line with our research and development efforts, we plan to recruit more professionals to strengthen our internal research and development team and supplement our internal research and development strength by collaborating with renowned domestic and international academic and medical institutions.

In addition to our product pipeline, we plan to develop a wider range of screening products that are low-cost and suitable for in-home testing. We believe that diversifying our product portfolio will help us strengthen our industry leadership position, significantly enhance operational efficiency and improve profitability.

Making selective geographic expansion and acquisition opportunities

We plan to build a manufacturing laboratory in central China to enhance geographic coverage, improve reporting cycles and reduce operating costs.

We also plan to make prudent investments to complement our internal growth. We plan to acquire product candidates with significant market potential or technological frontiers when appropriate to complement our existing product portfolio and create synergies with our research and development, manufacturing, and channel systems.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth our unaudited condensed consolidated statements of profit or loss for the periods indicated, together with the changes from the six months ended 30 June 2021 to the same period in 2022, presented as a percentage:

| | For the six months ended 30 June | | Year-on-year change |
|--|---------------------------------------|---------------------------------------|------------------------|
| | 2022 <i>RMB'000</i> (Unaudited) | 2021 <i>RMB'000</i> (Unaudited) | % |
| Revenue | 97,617 | 96,831 | 0.8% |
| Cost of sales | 33,201 | 32,419 | 2.4% |
| Gross profit | 64,416 | 64,412 | 0.01% |
| Other income and gains | 3,820 | 7,641 | (50.0%) |
| Selling and distribution expenses | 15,783 | 7,285 | 116.7% |
| Administrative expenses | 14,751 | 9,933 | 48.5% |
| Impairment losses on trade receivables, net | 203 | 982 | (79.3%) |
| Other expenses | 1,138 | 2,730 | (58.3%) |
| Listing expenses | 15,174 | 2,045 | 642.0% |
| Finance costs | 406 | 459 | (11.5%) |
| Interest on redemption liabilities on ordinary shares | — | 6,125 | (100.0%) |
| Profit before tax | 20,781 | 42,494 | (51.1%) |
| Income tax expenses | 2,981 | 7,180 | (58.5%) |
| Profit for the period | 17,800 | 35,314 | (49.6%) |
| Non-HKFRS Measures: | | | |
| Adjusted net profit | 32,974 | 43,484 | (24.2%) |

Revenue

We organize our main business into three segments, consumer genetic testing services, cancer screening services and other services. Other services mainly include genetic research and analysis services that we offer to third-party research institutions.

The table below sets forth our revenue by operating segment for the periods presented (presented in figures and as a percentage of total revenue).

| | For the six months ended 30 June 2022 | | 2021 | |
|-----------------------------------|---------------------------------------|---------------|-------------------------------|---------------|
| | <i>RMB'000</i> (Unaudited) | % | <i>RMB'000</i> (Unaudited) | % |
| Consumer genetic testing services | 45,573 | 46.7% | 56,339 | 58.2% |
| Cancer screening services | 52,044 | 53.3% | 39,926 | 41.2% |
| Other services | — | — | 566 | 0.6% |
| Total | <u>97,617</u> | <u>100.0%</u> | <u>96,831</u> | <u>100.0%</u> |

The following table shows the average price and number of tests we performed during the periods indicated, broken down by type of testing services.

| | For the six months ended 30 June 2022 | | 2021 | |
|-----------------------------------|---|------------------------------|---|------------------------------|
| | Average price <i>RMB (in thousand)</i> | Number of tests administered | Average price <i>RMB (in thousand)</i> | Number of tests administered |
| Consumer genetic testing services | 16.2 | 2,809 | 52.6 | 1,071 |
| Cancer screening services | <u>337.9</u> | <u>154</u> | <u>335.5</u> | <u>119</u> |
| Total | <u>32.9</u> | <u>2,963</u> | <u>80.8</u> | <u>1,191</u> |

- Consumer genetic testing services. For the six months ended 30 June 2022, our revenue from consumer genetic testing services was RMB45.6 million, with a decrease of 19.1% year on year. Our revenue generated from COVID-19-related testing services decreased significantly as a result of government mandates to lower the price of COVID-19 diagnostic tests.
- Cancer screening services. For the six months ended 30 June 2022, our revenue from cancer screening services was RMB52.0 million, with an increase of 30.4% year on year. The number of tests performed and revenue for cancer screening services showed a steady and consistent growth trend, driven by an optimized product and service portfolio focusing on those testing services with relatively high average unit prices and gross margins.
- Other services. Our contract on the provision of genetic research and analysis services to third-party research institutions expired and there are no new commitments for related projects. For the six months ended 30 June 2022, we generated no revenue from other services.

Cost of Sales

Our cost of sales consists primarily of raw material costs, testing service costs, staff costs, and the cost of printing and delivering test reports. Others consist primarily of rent, clusters, property utilities, etc. The following table sets forth a breakdown of cost of sales by nature for the periods indicated (presented in figures and as a percentage of cost of sales).

| | For the six months ended 30 June | | | |
|-------------------------------|----------------------------------|---------------|----------------|---------------|
| | 2022 | | 2021 | |
| | <i>RMB'000</i> | % | <i>RMB'000</i> | % |
| | (Unaudited) | | (Unaudited) | |
| Raw materials | 17,756 | 53.5% | 15,128 | 46.7% |
| Testing services | 3,197 | 9.6% | 7,033 | 21.7% |
| Staff costs | 5,742 | 17.3% | 4,408 | 13.6% |
| Depreciation and amortization | 2,799 | 8.4% | 2,779 | 8.6% |
| Printing and delivery costs | 1,020 | 3.1% | 1,175 | 3.6% |
| Others | 2,687 | 8.1% | 1,896 | 5.8% |
| Total | <u>33,201</u> | <u>100.0%</u> | <u>32,419</u> | <u>100.0%</u> |

Our cost of sales increased by 2.4% from RMB32.4 million for the six months ended 30 June 2021 to RMB33.2 million for the same period in 2022. The increase was mainly due to the extended scope of cancer screening services and the increase in sample size for cancer screening, leading to an increase in raw materials and staff costs.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2021 and 2022, our gross profit was RMB64.4 million and RMB64.4 million, respectively. For the same periods, our gross profit margin was 66.5% and 66.0%, respectively. The following table sets forth a breakdown of gross profit and gross profit margin by operating segment for the periods indicated (presented in figures and as a percentage of total gross profit).

| | For the six months ended 30 June | | 2021 | |
|-----------------------------------|--|---------------|--|---------------|
| | 2022 | | 2021 | |
| | Segmental gross profit <i>RMB'000</i> (Unaudited) | % | Segmental gross profit <i>RMB'000</i> (Unaudited) | % |
| Consumer genetic testing services | 23,587 | 36.6% | 33,921 | 52.7% |
| Cancer screening services | 40,829 | 63.4% | 30,021 | 46.6% |
| Other services | — | — | 470 | 0.7% |
| Total | <u>64,416</u> | <u>100.0%</u> | <u>64,412</u> | <u>100.0%</u> |

| | For the six months ended | | 30 June | |
|-----------------------------------|-------------------------------------|--|-------------------------------------|--|
| | 2022 | | 2021 | |
| | Segmental gross profit margin | | Segmental gross profit margin | |
| Consumer genetic testing services | 51.8% | | 60.2% | |
| Cancer screening services | 78.5% | | 75.2% | |
| Other services | — | | 83.0% | |
| Total | <u>66.0%</u> | | <u>66.5%</u> | |

- Our gross profit from consumer genetic testing services decreased from RMB33.9 million for the six months ended 30 June 2021 to RMB23.6 million for the same period in 2022, and the gross profit margin of consumer genetic testing services decreased from 60.2% for the six months ended 30 June 2021 to 51.8% for the same period in 2022. The decrease was mainly due to the impact of the COVID-19 pandemic in the first half of 2022 and the reduced price for COVID-19 diagnostic tests according to government regulation.
- Our gross profit from cancer screening services increased from RMB30.0 million for the six months ended 30 June 2021 to RMB40.8 million for the same period in 2022. The increase was mainly due to the extended scope of cancer screening services, the increase in the testing volume of cancer screening services provided to consumers and the corresponding increase in revenue.

- Our gross profit from other services decreased from RMB0.5 million for the six months ended 30 June 2021 to nil for the same period in 2022, mainly due to the completion of the Company's consulting service contracts and no new consulting service revenue for the time being.

Other Income and Gains

Our other income and gains decreased by 50.0% from RMB7.6 million for the six months ended 30 June 2021 to RMB3.8 million for the same period in 2022. The decrease was mainly due to the decreased rental income as we reduced our equipment leasing business.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 116.7% from RMB7.3 million for the six months ended 30 June 2021 to RMB15.8 million for the same period in 2022. The increase was mainly due to the 114% increase in the number of marketing staff as compared to the six months ended 30 June 2021 as the Company strengthened its marketing efforts. Promotional expenses increased by 118% compared to the six months ended 30 June 2021, mainly attributable to the increase in promotional costs of COVID-19 related testing services to institutional customers to expand our COVID-19 related testing business as well as the increasing costs spent on printed brochures.

Administrative Expenses

Our administrative expenses increased by 48.5% from RMB9.9 million for the six months ended 30 June 2021 to RMB14.8 million for the same period in 2022, mainly due to the increase in the number of R&D personnel and the corresponding increase in R&D investment depending on our R&D process, resulting in increasing R&D expenses.

Other Expenses

For the six months ended 30 June 2021 and 2022, our other expenses was RMB2.7 million and RMB1.1 million, respectively. The decrease in other expenses was mainly due to the decrease in equipment leasing business and its corresponding depreciation was charged to administrative expenses.

Listing Expenses

For the six months ended 30 June 2022, we incurred listing expenses of RMB15.2 million in connection with the global offering and the listing of our ordinary shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), accounting for 15.5% of our revenue for the same period.

Finance Costs

Our finance costs decreased by 11.5% from RMB0.5 million for the six months ended 30 June 2021 to RMB0.4 million for the same period in 2022. The decrease was mainly due to the decreased interest expenses on lease liabilities under the new lease standards.

Interest on Redemption Liabilities on Ordinary Shares

Our Series A Investors were entitled to a redemption right under the 2016 Series A Financing Agreement, which under certain conditions would entitle holders of these shares to a 10% return on their Series A investment. In June 2021, the redemption right of the remaining Series A Investors was terminated and the remaining amount of the redemption obligation was derecognized.

Our fair value loss of financial liabilities at fair value through profit or loss decreased from RMB6.1 million for the six months ended 30 June 2021 to nil for the same period in 2022.

Income Tax Expenses

Our income tax expenses decreased by 58.5% from RMB7.2 million for the six months ended 30 June 2021 to RMB3.0 million for the same period in 2022. The decrease was mainly due to the decrease in profit before tax.

Profit for the Period

Our profit for the period decreased from RMB35.3 million for the six months ended 30 June 2021 to RMB17.8 million for the same period in 2022 due to the above reasons.

Adjusted Net Profit (Non-HKFRS Measures)

To supplement our consolidated statements of profit or loss, which are presented in accordance with HKFRS, we also use adjusted net profit as a non-HKFRS measure, which is not required by, or presented in accordance with HKFRS. We believe the presentation of this non-HKFRS measure when shown in conjunction with the corresponding HKFRS measures provides useful information to investors and management in facilitating a comparison of our operating performance from period to period by eliminating the impact of non-recurring and non-cash items.

Interest on redemption liabilities on ordinary shares was a non-cash item, and the interest expense was recorded to reflect interest incurred on our conditional obligation to redeem equity securities issued in our Series A financing in 2016. This redemption obligation was measured at net present value of the redemption obligation amount and recorded as a financial liability and incurred interest. We also added back listing expenses as they were also non-recurring and not directly related to our operating activities.

The following table reconciles our calculations of adjusted net profit with the net profit for the period, which is presented in accordance with HKFRS.

| | For the six months ended | |
|---|---------------------------------|-----------------------|
| | 30 June | |
| | 2022 | 2021 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Profit for the period | 17,800 | 35,314 |
| Interest on redemption liabilities on ordinary shares | – | 6,125 |
| Listing expenses | 15,174 | 2,045 |
| Adjusted net profit | 32,974 | 43,484 |

Cash and Cash Equivalents

For the six months ended 30 June 2022, our net cash flow used in operating activities was RMB27.3 million. This was mainly due to the increase in selling and marketing personnel cost and expenses as the Company ramped up marketing efforts as well as higher personnel costs arising from the demand for R&D personnel with the acceleration of R&D process.

For the six months ended 30 June 2022, our net cash flow used in investing activities was RMB62,000, which was mainly due to the acquisition of fixed assets and intangible assets by the Company.

For the six months ended 30 June 2022, our net cash flow used in financing activities was RMB163.6 million, mainly due to the Company's listing on the Main Board of the Stock Exchange and the receipt of net proceeds from the global offering.

As a result of the above, our cash and cash equivalents, which were mainly held in RMB and HKD, increased by 57.1% from RMB239.1 million as of 31 December 2021 to RMB375.6 million as of 30 June 2022.

Indebtedness

Lease liabilities

As of 31 December 2021 and 30 June 2022, we had outstanding aggregate unpaid contractual lease payments (present value of lease payments for the remainder of relevant lease terms) of RMB11.6 million and RMB16.5 million respectively in relation to the corresponding current and non-current lease liabilities.

Save as lease liabilities, we did not have any outstanding loan, capital issued or agreed to be issued, debt securities, mortgages, charges, debentures, bank overdrafts, loans, unutilized banking facilities or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchase commitments or other contingent liabilities as of 30 June 2022.

Directors also confirm that, as of 30 June 2022, there was no material change in our Company's indebtedness since 31 December 2021.

Key Financial Ratios

| | For the six months ended 30 June | |
|------------------------------------|-------------------------------------|-------|
| | 2022 | 2021 |
| Gross profit margin ⁽¹⁾ | 66.0% | 66.5% |
| Net profit margin ⁽²⁾ | 18.2% | 36.5% |
| Current ratio ⁽³⁾ | 7.4 | 10.8 |

Note:

- (1) Gross profit margin equals gross profit divided by revenue for the period.
- (2) Net profit margin equals profit for the period divided by revenue for the period.
- (3) Current ratio equals current assets divided by current liabilities as of the end of the period.

Capital Expenditures

Our principal capital expenditures related primarily to the purchase of equipment and the establishment of an automatic laboratory. The following table sets forth our capital expenditures for the periods indicated.

| | For the six months ended 30 June | |
|--|-------------------------------------|--------------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Purchases of property, plant and equipment | 821 | 1,370 |
| Purchases of other intangible assets | 137 | — |
| | <hr/> | <hr/> |
| Total | 958 | 1,370 |
| | <hr/> <hr/> | <hr/> <hr/> |

Contingent Liabilities

As of 30 June 2022, we had no material contingent liabilities.

Significant Investments and Future Plans for Material Investments or Capital Assets

As of 30 June 2022, we did not hold any material investment.

In addition, save for the expansion plans as disclosed in the sections headed “Business” and “Future Plans and Use of Proceeds” in the prospectus of the Company dated 10 June 2022, we have no future plans for material investments or capital assets.

Material Acquisitions and Disposals

For the six months ended 30 June 2022, we did not make any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Pledge of Group Assets

As of 30 June 2022, we did not have any pledged assets.

Interim Dividend

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2022.

Employee

As of 30 June 2022, we had 386 employees, most of whom were based in Beijing. We conduct new staff training regularly to guide new employees and help them adapt to the new working environment. In addition, we provide online and in-person formal and comprehensive company-level and department-level training to our employees on a quarterly basis in addition to on-the-job training. We also encourage our employees to attend external seminars and workshops to enrich their technical knowledge and develop competencies and skills. We also provide training and development programs and external training sessions to our employees from time to time to improve their technical skills and ensure their awareness and compliance with our various policies and procedures.

The compensation of our employees is determined with reference to market conditions and the performance, qualifications and experience of individual employees. We offer competitive compensation packages, including salaries, discretionary bonuses and benefit plans, to retain employees based on the performance of us and individual employees.

The Company adopted a restricted share unit scheme (the “**RSU Scheme**”) on 19 November 2021. As of 30 June 2022, no restricted share units has been granted under the RSU Scheme.

Material Events After the Reporting Period

Save as disclosed above, as at the date of this announcement, there were no material events after 30 June 2022 that might have a material impact on our operations and financial results.

Rounding

Certain amounts and percentage numbers in this announcement have been rounded up. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

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

For the six months ended 30 June 2022

| | | For the six months ended 30 June | |
|---|-------|-------------------------------------|--------------------------------|
| | | 2022 (Unaudited) RMB'000 | 2021 (Unaudited) RMB'000 |
| | Notes | | |
| REVENUE | 4 | 97,617 | 96,831 |
| Cost of sales | | <u>(33,201)</u> | <u>(32,419)</u> |
| Gross profit | | 64,416 | 64,412 |
| Other income and gains | 4 | 3,820 | 7,641 |
| Selling and distribution expenses | | (15,783) | (7,285) |
| Administrative expenses | | (14,751) | (9,933) |
| Impairment losses on trade receivables, net | | (203) | (982) |
| Other expenses | | (1,138) | (2,730) |
| Listing expenses | | (15,174) | (2,045) |
| Finance cost | | (406) | (459) |
| Interest on redemption liabilities on ordinary shares | | <u>—</u> | <u>(6,125)</u> |
| PROFIT BEFORE TAX | 5 | 20,781 | 42,494 |
| Income tax expense | 6 | <u>(2,981)</u> | <u>(7,180)</u> |
| PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | <u>17,800</u> | <u>35,314</u> |
| Attributable to: | | | |
| Owners of the parent | | <u>17,800</u> | <u>35,314</u> |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | 8 | | |
| Basic and diluted | | <u>RMB0.09</u> | <u>RMB0.66</u> |

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

30 June 2022

| | | 30 June 2022 (Unaudited) RMB'000 | 31 December 2021 (Audited) RMB'000 |
|---|--------------|---|---|
| | <i>Notes</i> | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 9 | 39,398 | 41,245 |
| Advance payments for property, plant and equipment | | 257 | 1,875 |
| Right-of-use assets | | 13,384 | 9,885 |
| Intangible assets | | 873 | 811 |
| Financial assets at fair value through profit and loss | | 30,200 | 30,200 |
| Deferred tax assets | | 3,825 | 2,805 |
| Total non-current assets | | 87,937 | 86,821 |
| CURRENT ASSETS | | | |
| Inventories | | 4,172 | 3,284 |
| Trade receivables | 10 | 256,590 | 203,630 |
| Prepayments, other receivables and other assets | 11 | 23,104 | 239,352 |
| Cash and cash equivalents | | 375,568 | 239,096 |
| Total current assets | | 659,434 | 685,362 |
| CURRENT LIABILITIES | | | |
| Trade payables | 12 | 31,525 | 29,197 |
| Other payables and accruals | | 45,462 | 27,243 |
| Lease liabilities | | 9,037 | 6,223 |
| Tax payable | | 2,586 | 6,528 |
| Deferred income | | 600 | 600 |
| Total current liabilities | | 89,210 | 69,791 |
| NET CURRENT ASSETS | | 570,224 | 615,571 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 658,161 | 702,392 |

| | | 30 June 2022 (Unaudited) RMB'000 | 31 December 2021 (Audited) RMB'000 |
|---|-------------|---|---|
| | <i>Note</i> | | |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | | 7,424 | 5,346 |
| Deferred income | | 2,250 | 2,550 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 9,674 | 7,896 |
| | | <hr/> | <hr/> |
| Net assets | | 648,487 | 694,496 |
| | | <hr/> | <hr/> |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | <i>13</i> | 155 | 129 |
| Other reserves | | 648,332 | 694,367 |
| | | <hr/> | <hr/> |
| Total equity | | 648,487 | 694,496 |
| | | <hr/> | <hr/> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial information is consistent with those of the Group as set out in the accountants' report in appendix I to the Company's prospectus dated 10 June 2022, except for the adoption of new standards effective as of 1 January 2022 as set out below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In the period, the Group has applied, for the first time, the following revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the period.

| | |
|--|--|
| Amendments to HKFRS 3 | <i>Reference to the Conceptual Framework</i> |
| Amendments to HKAS 16 | <i>Property, Plant and Equipment: Proceeds before Intended Use</i> |
| Amendments to HKAS 37 | <i>Onerous Contracts – Cost of Fulfilling a Contract</i> |
| <i>Annual Improvements to HKFRSs 2018-2020</i> | Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 |

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- (i) HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - (ii) HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their services and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

| | For the six months ended 30 June | |
|---------------------------------------|----------------------------------|--------------------------------|
| | 2022 (Unaudited) RMB'000 | 2021 (Unaudited) RMB'000 |
| Revenue from contracts with customers | <u>97,617</u> | <u>96,831</u> |

Revenue from contracts with customers

(a) *Disaggregated revenue information*

| | For the six months ended 30 June | |
|---|---|--------------------|
| | 2022 | 2021 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Type of goods or services | | |
| Consumer genetic testing | 45,573 | 56,339 |
| Cancer screening testing | 52,044 | 39,926 |
| Others | – | 566 |
| | 97,617 | 96,831 |
| Timing of revenue recognition | | |
| Goods or service transferred at a point in time | 97,617 | 96,831 |

Geographical markets

All of the Group's revenue was generated from customers located in Mainland China during the reporting periods.

(b) *Performance obligation*

Information about the Group's performance obligation is summarised below:

Genetic testing services

The performance obligation of genetic testing services is satisfied upon delivery of testing reports and payment is generally due within three to six months from the date of billing, except for certain customers, where payment in advance is required.

Gene research and analysis services

The performance obligation of gene research and analysis services is satisfied over time as services are rendered and payment is generally due within three to six months from the date of billing.

Training and consulting services

The performance obligation of training and consulting services is satisfied upon completion under the contracted schedule and payment is generally due within three to six months from the date of billing.

Sale of medical materials

The performance obligation of sale of medical materials program is satisfied upon receipt of materials by customers and payment is generally due within three to six months from the date of billing, except for certain customers, where payment in advance is required.

An analysis of other income and gains is as follows:

| | For the six months ended 30 June | |
|--|---|--------------------|
| | 2022 | 2021 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Other income | | |
| Rental income | 1,274 | 5,526 |
| Bank interest income | 793 | 135 |
| Government grants | 569 | 314 |
| Investment income from financial assets at fair value through profit or loss | 896 | 1,258 |
| Changes in fair value of financial assets at fair value through profit or loss | – | 400 |
| Others | 288 | 8 |
| | 3,820 | 7,641 |

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

| | For the six months ended 30 June | |
|---|---|--------------------|
| | 2022 | 2021 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Cost of services provided | 33,201 | 32,419 |
| Depreciation of property, plant and equipment | 4,286 | 4,179 |
| Depreciation of right-of-use assets | 3,395 | 2,706 |
| Amortisation of intangible assets | 75 | 46 |
| Research and development costs | 7,742 | 3,694 |
| Listing expenses | 15,174 | 2,045 |
| Impairment losses on trade receivable, net | 203 | 982 |

6. INCOME TAX EXPENSE

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

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in this jurisdiction.

The statutory tax rate for the subsidiary in Hong Kong is 16.5%. No Hong Kong profits tax on the subsidiary has been provided as there was no assessable profit arising in Hong Kong during the reporting periods.

The provision for current income tax in Mainland China is based on a statutory tax rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law, except for Mega Genomics Beijing, a subsidiary of the Group. Mega Genomics Beijing is qualified as a High and New Technology Enterprise (“HNTE”) and was subject to tax at a preferential income tax rate of 15% during the reporting periods.

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

| | For the six months ended 30 June | |
|---------------------------------|---|--------------------|
| | 2022 | 2021 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Current tax | 4,001 | 7,319 |
| Deferred tax | (1,020) | (139) |
| Total tax charge for the period | 2,981 | 7,180 |

7. DIVIDENDS

No dividend has been declared and paid by the Company in respect of the reporting period.

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 200,594,786 (six months ended 30 June 2021: 53,330,981) in issue during the period. The number of shares for the current period has been arrived at after eliminating the shares held under the restricted share unit scheme.

No adjustment has been made to the basic earnings per share amount presented for the periods ended 30 June 2021 and 2022 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the periods.

9. PROPERTY, PLANT AND EQUIPMENT

| | 30 June 2022 (Unaudited) RMB'000 | 31 December 2021 (Audited) RMB'000 |
|---|---|---|
| Carrying amount at beginning of the period/year | 41,245 | 46,945 |
| Additions | 2,439 | 2,655 |
| Depreciation provided during the period/year | (4,286) | (8,355) |
| | <hr/> | <hr/> |
| Carrying amount at end of the period/year | 39,398 | 41,245 |
| | <hr/> <hr/> | <hr/> <hr/> |

10. TRADE RECEIVABLES

| | 30 June 2022 (Unaudited) RMB'000 | 31 December 2021 (Audited) RMB'000 |
|-------------------|---|---|
| Trade receivables | 269,400 | 216,237 |
| Impairment | (12,810) | (12,607) |
| | <hr/> | <hr/> |
| | 256,590 | 203,630 |
| | <hr/> <hr/> | <hr/> <hr/> |

The Group's trading terms with its customers are mainly on credit. The credit terms granted generally ranged from three to six months, depending on the specific payment terms in each contract. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables were amounts due from related parties of RMB130,354,000 as at 30 June 2022 (31 December 2021: RMB98,972,000), which are repayable on credit terms similar to those offered to the customers of the Group.

An ageing analysis of the trade receivables as at the end of the reporting periods, based on the invoice date and net of loss allowance, is as follows:

| | 30 June 2022 (Unaudited) RMB'000 | 31 December 2021 (Audited) RMB'000 |
|-----------------|---|---|
| Within 3 months | 77,498 | 85,618 |
| 3 to 6 months | 46,088 | 42,637 |
| 6 to 12 months | 105,110 | 48,472 |
| 1 to 2 years | 25,988 | 25,502 |
| Over 2 years | 1,906 | 1,401 |
| | 256,590 | 203,630 |

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

| | 30 June 2022 (Unaudited) RMB'000 | 31 December 2021 (Audited) RMB'000 |
|----------------------------------|---|---|
| Prepayments | 10,801 | 6,125 |
| Deposits and other receivables | 2,809 | 223,533 |
| Deductible input value-added tax | 717 | 528 |
| Income tax recoverable | – | 41 |
| Deferred listing expenses | – | 996 |
| Other assets | 8,777 | 8,129 |
| | 23,104 | 239,352 |

Included in the Group's prepayments, other receivables and other assets were other receivables to related parties of RMB1,368,000 as at 30 June 2022 (31 December 2021: RMB222,255,000).

12. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting periods, based on the transaction date, is as follows:

| | 30 June 2022 (Unaudited) RMB'000 | 31 December 2021 (Audited) RMB'000 |
|-----------------|---|---|
| Within 3 months | 15,593 | 18,822 |
| 3 to 6 months | 5,662 | 5,871 |
| 6 to 12 months | 9,037 | 3,352 |
| 1 to 2 years | 857 | 506 |
| Over 12 months | 376 | 646 |
| | 31,525 | 29,197 |

The trade payables are non-interest-bearing and are normally settled within six months.

Included in the Group's trade payables were amounts due to related parties of RMB921,000 as at 30 June 2022 (31 December 2021: RMB122,000) with credit terms similar to those offered by the related parties to their customers.

13. SHARE CAPITAL

| | 30 June 2022 (Unaudited) US\$ | 31 December 2021 (Audited) US\$ |
|---|--|--|
| Authorised: | | |
| 500,000,000 ordinary shares of US\$0.0001 each | 50,000 | N/A |
| 400,000,000 ordinary shares and 100,000,000 investor class shares of US\$0.0001 each | N/A | 50,000 |
| Issued and fully paid: | | |
| 211,961,800 (2021: 200,000,000) ordinary shares of US\$0.0001 each | 21,196 | 20,000 |
| Issued but not paid: | | |
| 27,272,000 (2021: Nil) ordinary shares of US\$0.0001 each | 2,727 | — |
| | 23,923 | 20,000 |
| Equivalent to RMB | 155,000 | 129,000 |

On 1 June 2022, the Company allotted and issued 27,272,000 shares at par value to the restricted share unit nominee, which holds the shares underlying the restricted share units for the benefit of eligible participants pursuant to the restricted share unit scheme.

On 22 June 2022, 11,961,800 ordinary shares of par value US\$0.0001 each were issued at a price of HK\$18.00 per share in connection with the Company's initial public offering. The proceeds of HK\$9,400 (equivalent to RMB8,000), representing the par value, were credited to the Company's share capital. The remaining proceeds of HK\$215,303,000 (equivalent to RMB184,147,000) before issuing expenses were credited to the share premium account.

14. RELATED PARTY TRANSACTIONS

Details of the Group's related parties are as follows:

| Company | Relationship with the Company |
|--|-------------------------------|
| Dr. Yu Rong | Shareholder and director |
| Meinian Onehealth healthcare Holdings Co., Ltd. ("Meinian Onehealth") | Shareholder |
| Xiamen Fanding Jiayin Equity Investment Partnership (LP) | Shareholder |
| Ganzhou Zhangxin Investment Center (LP) | Shareholder |
| Qingdao Huichuang Qihang Equity Investment Partnership (LP) | Shareholder |
| Suzhou Ruihua Investment Partnership (LP) | Shareholder |
| Shanghai Yifangda New Hope Equity Investment Fund (LP) | Shareholder |
| Tibet Tengyun Investment Management Co., Ltd. | Shareholder |

(a) The Group had the following transactions with related parties during the Relevant Periods:

| | For the six months ended 30 June | |
|---|----------------------------------|---------------|
| | 2022 | 2021 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Services provided to: | | |
| Meinian Onehealth and its subsidiaries | 35,269 | 36,542 |
| Companies controlled by Dr. Yu Rong | 9,996 | 6,703 |
| | <u>45,265</u> | <u>43,245</u> |
| Services provided by: | | |
| Meinian Onehealth and its subsidiaries | <u>648</u> | <u>—</u> |
| Lease to: | | |
| Companies controlled by Dr. Yu Rong | <u>—</u> | <u>4,346</u> |
| Property management services provided by: | | |
| Companies controlled by Dr. Yu Rong | <u>865</u> | <u>698</u> |

(b) Outstanding balances with related parties:

| | 30 June 2022 (Unaudited) RMB'000 | 31 December 2021 (Audited) RMB'000 |
|---|---|---|
| Trade receivables | | |
| Meinian Onehealth and its subsidiaries | 97,754 | 81,390 |
| Companies controlled by Dr. Yu Rong | <u>32,600</u> | <u>17,582</u> |
| | <u>130,354</u> | <u>98,972</u> |
| Other receivables | | |
| Companies controlled by Dr. Yu Rong | 1,368 | 8,115 |
| Xiamen Fanding Jiayin Equity Investment Partnership (LP) | – | 54,000 |
| Ganzhou Zhangxin Investment Center (LP) | – | 50,000 |
| Qingdao Huichuang Qihang Equity Investment Partnership (LP) | – | 35,640 |
| Suzhou Ruihua Investment Partnership (LP) | – | 34,500 |
| Shanghai Yifangda New Hope Equity Investment Fund (LP) | – | 10,000 |
| Tibet Tengyun Investment Management Co., Ltd. | <u>–</u> | <u>30,000</u> |
| | <u>1,368</u> | <u>222,255</u> |
| Trade payable | | |
| Meinian Onehealth and its subsidiaries | 648 | – |
| Companies controlled by Dr. Yu Rong | <u>273</u> | <u>122</u> |
| | <u>921</u> | <u>122</u> |
| Contract liabilities | | |
| Meinian Onehealth and its subsidiaries | <u>2,008</u> | <u>5,396</u> |
| Lease liabilities | | |
| Companies controlled by Dr. Yu Rong | <u>16,461</u> | <u>11,569</u> |

(c) Compensation of key management personnel of the Group:

| | For the six months ended 30 June 2022 (Unaudited) RMB'000 | 2021 (Unaudited) RMB'000 |
|---|--|--------------------------------|
| Salaries, allowances and benefits in kind | 1,332 | 1,363 |
| Pension scheme contributions | <u>429</u> | <u>407</u> |
| Total compensation paid to key management personnel | <u>1,761</u> | <u>1,770</u> |

ADDITIONAL INFORMATION

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

The Company or any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities for the six months ended 30 June 2022.

Compliance with the Corporate Governance Code

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its affairs are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all Shareholders.

The Company has adopted the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code of corporate governance. The Board is of the view that, from 22 June 2022, on which dealing in the Shares of the Company first commence on the Stock Exchange (the “**Listing Date**”) to the date of this announcement, the Company has complied with the code provisions as set out in the CG Code.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the Group's code of conduct regarding the Directors' securities transactions. Having made specific enquiry of all the Directors, all the Directors confirmed that they have strictly complied with the Model Code from the Listing Date to the date of the announcement.

Audit Committee and Review of Financial Information

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

The Audit Committee has reviewed the Group's unaudited interim financial information for the six months ended 30 June 2022. The Audit Committee has also reviewed the accounting principles adopted by the Group and discussed auditing, internal control, risk management and financial reporting matters.

Publication of Interim Results Announcement and Interim Report

This interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.megagenomics.cn). The interim report of the Company for the six months ended 30 June 2022 containing all the information required by the Listing Rules will be dispatched to the Shareholders of the Company and made available on the same websites in due course.

By order of the Board
Mega Genomics Limited
Lin Lin
Executive Director and Chairperson

Hong Kong, 30 August 2022

As of the date of this announcement, Dr. Yu Rong, Ms. Lin Lin, Mr. Huang Yufeng and Ms. Jiang Jing are the Company's executive Directors; Ms. Guo Meiling is the Company's non-executive Director; Dr. Zhang Ying, Mr. Jia Qingfeng and Dr. Xie Dan are the Company's independent non-executive Directors.