



美因基因  
mega genomics

Mega Genomics Limited  
美因基因有限公司 \*

(Incorporated in the Cayman Islands with limited liability)  
Stock Code: 6667

2022 Interim Report

*\* For identification purpose only*

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# Definitions

“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“Company”, “our Company”, or “the Company”	Mega Genomics Limited (美因基因有限公司*), an exempted company with limited liability incorporated under the laws of the Cayman Islands, the shares of which are listed on the Main Board
“COVID-19”	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
“Director(s)”	the directors of our Company
“Global Offering”	the global offering of the Shares in connection with the Listing
“Group”, “our Group”, “our”, “we” or “us”	the Company and its subsidiaries
“HK\$” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Mega Genomics Beijing”	Mega Genomics (Beijing) Co., Ltd. (美因健康科技(北京)有限公司), a limited liability company established under the laws of the PRC
“Listing”	the listing of the Shares on the Main Board on the Listing Date
“Listing Date”	22 June 2022, on which dealings in the Shares first commenced on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

\* For identification purposes only

“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PRC”	the People’s Republic of China, but for the purpose of this report and for geographical reference only and except where the context requires otherwise, references in this report to the “PRC” do not apply to Hong Kong, the Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus of the Company dated 10 June 2022
“Renminbi” or “RMB”	the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary shares in the share capital of our Company with a par value of US\$0.0001 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“%”	per cent

In this report, the terms “associate,” “close associate,” “connected person,” “connected transaction,” “continuing connected transaction,” “controlling shareholder,” “core connected person,” “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this report have been subject to rounding adjustments. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Dr. Yu Rong  
Ms. Lin Lin (*Chairperson*)  
Mr. Huang Yufeng (*Chief Executive Officer*)  
Ms. Jiang Jing

### Non-executive Director

Ms. Guo Meiling

### Independent Non-executive Directors

Dr. Zhang Ying  
Mr. Jia Qingfeng  
Dr. Xie Dan

## AUDIT COMMITTEE

Mr. Jia Qingfeng (*Chairperson*)  
Ms. Guo Meiling  
Dr. Zhang Ying

## REMUNERATION COMMITTEE

Dr. Zhang Ying (*Chairperson*)  
Ms. Guo Meiling  
Mr. Jia Qingfeng

## NOMINATION COMMITTEE

Ms. Lin Lin (*Chairperson*)  
Dr. Zhang Ying  
Mr. Jia Qingfeng

## JOINT COMPANY SECRETARIES

Ms. Li Yan  
Ms. Ng Wai Kam

## AUTHORIZED REPRESENTATIVES

Ms. Lin Lin  
Ms. Ng Wai Kam

## HONG KONG LEGAL ADVISORS

Paul Hastings  
22/F Bank of China Tower  
1 Garden Road  
Hong Kong

## AUDITOR

Ernst & Young  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay  
Hong Kong

## COMPLIANCE ADVISOR

China Securities (International) Corporate Finance  
Company Limited  
18/F, Two Exchange Square  
8 Connaught Place  
Central, Hong Kong

## REGISTERED OFFICE

Second Floor, Century Yard  
Cricket Square, P.O. Box 902  
Grand Cayman, KY1-1103  
Cayman Islands

**HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC**

401 Health Work  
North Garden Road  
Haidian District  
Beijing  
PRC

**PRINCIPAL BANK**

Standard Chartered Bank (HK) Limited  
Bank of Communications Co., Ltd., Beijing Branch

**STOCK CODE**

6667

**PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

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

**COMPANY'S WEBSITE**

[www.megagenomics.cn](http://www.megagenomics.cn)

**PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Appleby Global Services (Cayman) Limited  
71 Fort Street  
PO Box 500  
George Town  
Grand Cayman KY1-1106  
Cayman Islands

**HONG KONG SHARE REGISTRAR**

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

# 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.

### 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.

## Business Review and Outlook

### 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 more than 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.

## Business Review and Outlook

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 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 Review and Outlook

### 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	
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	
Revenue	<b>97,617</b>	96,831	0.8%
– Consumer genetic testing services	<b>45,573</b>	56,339	(19.1%)
– Cancer screening services	<b>52,044</b>	39,926	30.4%
– Other services	–	566	(100%)
Gross profit	<b>64,416</b>	64,412	0.01%
Gross profit margin	<b>66.0%</b>	66.5%	(0.5 percentage points)
Adjusted net profit <sup>(1)</sup>	<b>32,974</b>	43,484	(24.2%)
Adjusted net profit margin <sup>(2)</sup>	<b>33.8%</b>	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.

## Business Review and Outlook

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

## Management Discussion and Analysis

### 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	
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%
Consumer genetic testing services	<b>45,573</b>	<b>46.7%</b>	56,339	58.2%
Cancer screening services	<b>52,044</b>	<b>53.3%</b>	39,926	41.2%
Other services	—	—	566	0.6%
<b>Total</b>	<b>97,617</b>	<b>100.0%</b>	96,831	100.0%

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 RMB	Number of tests administered (in thousand)	Average price RMB	Number of tests administered (in thousand)
Consumer genetic testing services	<b>16.2</b>	<b>2,809</b>	52.6	1,071
Cancer screening services	<b>337.9</b>	<b>154</b>	335.5	119
<b>Total</b>	<b>32.9</b>	<b>2,963</b>	80.8	1,191

## Management Discussion and Analysis

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

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.

## Management Discussion and Analysis

### 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			
	2022		2021	
	Segmental gross profit RMB'000 (Unaudited)	%	Segmental gross profit RMB'000 (Unaudited)	%
Consumer genetic testing services	<b>23,587</b>	<b>36.6%</b>	33,921	52.7%
Cancer screening services	<b>40,829</b>	<b>63.4%</b>	30,021	46.6%
Other services	—	—	470	0.7%
<b>Total</b>	<b>64,416</b>	<b>100.0%</b>	<b>64,412</b>	<b>100.0%</b>

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

- 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, of which our research and development expenses increased from RMB3.7 million for the six months ended 30 June 2021 to RMB7.7 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.

## Management Discussion and Analysis

### 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, 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.

## Management Discussion and Analysis

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 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Profit for the period	<b>17,800</b>	35,314
Interest on redemption liabilities on ordinary shares	–	6,125
Listing expenses	<b>15,174</b>	2,045
Adjusted net profit	<b>32,974</b>	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 generated from financing activities was RMB163.6 million, mainly due to the Company's Listing 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.

## Management Discussion and Analysis

### Liquidity and Capital Resources

We have maintained a comprehensive treasury policy, detailing specific functions and internal control measures for capital use. These functions and measures include but are not limited to procedures of capital management and liquidity management.

We manage and maintain our liquidity through the use of internally generated cash flows from operations and proceeds from the Company's initial public offering on the Stock Exchange on 22 June 2022. We regularly review our major funding positions to ensure that we have adequate financial resources in meeting our financial obligations.

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Net cash used in operating activities	<b>(27,320)</b>	(7,133)
Net cash used in investing activities	<b>(62)</b>	(112)
Net cash generated from financing activities	<b>163,582</b>	39,081
Net increase in cash and cash equivalents	<b>136,200</b>	31,836
Cash and cash equivalents at the beginning of the period	<b>239,096</b>	208,450
Effect of foreign exchange rate changes, net	<b>272</b>	–
Cash and cash equivalents at the end of the period	<b>375,568</b>	240,286

### 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.

#### Gearing Ratio

The gearing ratio (calculated by total liabilities divided by total assets) of the Group as at 30 June 2022 was 13.2%, representing an increase of 3.1 percentage points compared to 10.1% as at 31 December 2021.

## Foreign Exchange Risk

We have transactional currency exposures. Certain of our demand deposits, bank balances and proceeds are denominated in foreign currency which are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider appropriate hedging measures in the future should the need arise.

## Key Financial Ratios

	For the six months ended 30 June	
	2022	2021
Gross profit margin <sup>(1)</sup>	<b>66.0%</b>	66.5%
Net profit margin <sup>(2)</sup>	<b>18.2%</b>	36.5%
Current ratio <sup>(3)</sup>	<b>7.4</b>	10.8

*Notes:*

- (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 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Purchases of property, plant and equipment	<b>821</b>	1,370
Purchases of intangible assets	<b>137</b>	–
Total	<b>958</b>	1,370

## Contingent Liabilities

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

## Management Discussion and Analysis

### 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, 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 charged or 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.

### RSU Scheme

The Company adopted a restricted share unit scheme (the “**RSU Scheme**”) on 19 November 2021. The principal terms of the RSU Scheme are summarized in the section headed “Statutory and General Information – D. RSU Scheme” in Appendix IV to the Prospectus. As of 30 June 2022, no restricted share units has been granted under the RSU Scheme.

### Material Events After the Reporting Period

As at the date of this report, 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 report have been rounded up. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

# Other Information

## Changes in Directors and Senior Management

### Changes in the composition of Directors and Board Committees

During the reporting period, there was no change in the composition of our Board Committees.

### Change in Directors' information

The changes in Directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are as follows:

1. Ms. Guo Meiling resigned as the chairperson of Shenyang Dajiankang Management Co., Ltd. (瀋陽美年健康科技健康管理有限公司) in June 2022;
2. Dr. Zhang Ying resigned as the director of Dashang Co., Ltd. (大商股份有限公司) upon expiration in June 2022; In addition, Dr. Zhang has been serving as the director of Chongqing Changan Automobile Company Limited (重慶長安汽車股份有限公司) ("Changan Automobile") (whose shares are listed on the Shenzhen Stock Exchange (stock code: 000625)) since May 2022. Changan Automobile is one of China's four major auto groups, with a history of 160 years and experience in automobile manufacturing of 38 years. It has 14 production bases and 33 factories of vehicle, engine and transmission worldwide.

### Changes in senior management

During the reporting period, there was no change in senior management.

## Disclosure of Interests – Interests and Short Positions of Directors and Chief Executives of the Company in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 30 June 2022, the interests and short positions of the Directors or the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

### Interests in the Shares or underlying Shares of our Company

Name of Director	Nature of Interest	Number of interested shares	Approximate percentage of shareholding interest (%)
Dr. Yu Rong	Interest in controlled corporations <sup>(1)</sup>	22,795,135	9.53%
	Interest of a party to an agreement <sup>(2)</sup>	22,000,000	9.20%
Ms. Guo Meiling	Interest in controlled corporations <sup>(2)</sup>	22,000,000	9.20%
Ms. Lin Lin	Interest in controlled corporations <sup>(3)</sup>	9,975,311	4.17%
Mr. Huang Yufeng	Interest in controlled corporations <sup>(4)</sup>	3,463,131	1.45%

## Other Information

### Notes:

- (1) As at 30 June 2022, YURONG TECHNOLOGY LIMITED was held as to 100% by Dr. Yu Rong. Tianjin Hongzhi Kangjian Management Consulting Partnership (LP) was held as to (i) 99% by Zhuhai Zhongwei Yi Jian Equity Investment Fund (limited Partnership) (珠海中衛易健股權投資基金(有限合夥)), its limited partner, the general partner of which was Shanghai Zhongfu Equity Investment Management Co., Ltd. (上海中孵創業投資管理有限公司), which was ultimately controlled by Dr. Yu Rong and (ii) 1% by Shanghai Zhongfu Equity Investment Management Co., Ltd. (上海中孵創業投資管理有限公司) as its general partner. As such, Dr. Yu Rong is deemed to be interested in the Shares held by each of YURONG TECHNOLOGY LIMITED and Tianjin Hongzhi Kangjian Management Consulting Partnership (LP) under the SFO.
- (2) As at 30 June 2022, Infinite Galaxy Health Limited was wholly owned by Ms. Guo Meiling. As such, Ms. Guo Meiling is deemed to be interested in which Infinite Galaxy Health Limited is interested under the SFO. On 11 August 2021, Dr. Yu Rong, Ms. Guo Meiling and Infinite Galaxy Health Limited, among others, entered into a voting rights entrustment deed, pursuant to which Infinite Galaxy Health Limited, a Shareholder wholly owned by Ms. Guo Meiling, irrevocably entrusts Dr. Yu Rong to exercise all voting rights associated with the Shares on behalf of Infinite Galaxy Health Limited. As such, Dr. Yu Rong is deemed to be interested in which Ms. Guo Meiling is ultimately interested (through holding 100% interests of Infinite Galaxy Health Limited) under the SFO.
- (3) As at 30 June 2022, LINLIN DJK HOLDING LTD. was wholly owned by Ms. Lin Lin. As such, Ms. Lin Lin is deemed to be interested in the Shares held by LINLIN DJK HOLDING LTD. under the SFO.
- (4) As at 30 June 2022, Main Sunflower Technology Limited was held as to 54.84% by Mr. Huang Yufeng. As such, Mr. Huang Yufeng is deemed to be interested in the Shares held by Main Sunflower Technology Limited under the SFO.
- (5) As at 30 June 2022, the number of issued shares of the Company was 239,233,800 shares.

## Interests in the Shares or underlying Shares of our Company's associated corporations

### Mega Genomics Beijing

Name of Director	Capacity/Nature of Interest	Number of shares/ underlying shares	Approximate percentage of shareholding interest (%)
Dr. Yu Rong	Interest in controlled corporations <sup>(1)</sup>	1,383,000	11.40%
Ms. Guo Meiling	Beneficial interests	1,335,048	11.00%

- (1) As at 30 June 2022, Dr. Yu Rong controlled Zhuhai Zhongwei Yi Jian Equity Investment Fund (Limited Partnership) and Beijing Yinwei Technology Center (LP). As such, Dr. Yu Rong controls the interests in which Zhuhai Zhongwei Yi Jian Equity Investment Fund (Limited Partnership) and Beijing Yinwei Technology Center (LP) are interested under the SFO.

## Interests and Short Positions of Substantial Shareholders and Other Persons in Shares and Underlying Shares of the Company

As at 30 June 2022, to the best knowledge of our Directors, the following persons/entities (other than the Directors or chief executive of the Company) had an interest or short position in Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and kept in the register in shares and short positions of the Company under section 336 of the SFO:

Name	Nature of interest	Number of Shares Interested	Approximate percentage of shareholding interest (%)
Mei Nian Investment Limited	Beneficial owner <sup>(1)</sup>	37,258,932	15.57%
Meinian OneHealth Healthcare Holdings Co., Ltd.	Interest in controlled corporations <sup>(1)</sup>	37,258,932	15.57%
Mega Marvelous Limited	Nominee of another person <sup>(2)</sup>	27,272,000	11.40%
KASTLE LIMITED	Trustee <sup>(2)</sup>	27,272,000	11.40%
YURONG TECHNOLOGY LIMITED	Beneficial owner <sup>(3)</sup>	14,555,731	6.08%
Infinite Galaxy Health Limited	Beneficial owner <sup>(4)</sup>	22,000,000	9.20%
Tianjin Shiji Yuneng Enterprise Management Partnership (LP)	Beneficial owner <sup>(5)</sup>	12,096,203	5.06%
Beijing Hehe Hengye Technology Co., Ltd.	Interest in controlled corporations <sup>(5)</sup>	12,096,203	5.06%
Beijing Shiji Yuneng Technology Co., Ltd.	Interest in controlled corporations <sup>(5)</sup>	12,096,203	5.06%
Mr. Niu Zhencai	Interest in controlled corporations <sup>(5)</sup>	12,096,203	5.06%

### Notes:

- As at 30 June 2022, Mei Nian Investment Limited was held as to 100% by Meinian OneHealth Healthcare Holdings Co., Ltd., the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002044). As such, Meinian OneHealth Healthcare Holdings Co., Ltd. is deemed to be interested in which Mei Nian Investment Limited is interested under the SFO.
- As at 30 June 2022, Mega Marvelous Limited was held as to 100% by KASTLE LIMITED, an independent trustee appointed under the terms of the RSU Scheme which, through Mega Marvelous Limited, holds the Shares underlying the RSUs for the benefit of eligible participants of the RSU Scheme.
- As at 30 June 2022, YURONG TECHNOLOGY LIMITED was held as to 100% by Dr. Yu Rong. Tianjin Hongzhi Kangjian Management Consulting Partnership (LP) was held as to (i) 99% by Zhuhai Zhongwei Yi Jian Equity Investment Fund (limited Partnership) (珠海中衛易健股權投資基金(有限合夥)), its limited partner, the general partner of which was Shanghai Zhongfu Equity Investment Management Co., Ltd. (上海中鵬創業投資管理有限公司), which was ultimately controlled by Dr. Yu Rong and (ii) 1% by Shanghai Zhongfu Equity Investment Management Co., Ltd. (上海中鵬創業投資管理有限公司) as its general partner. As such, Dr. Yu is deemed to be interested in which each of YURONG TECHNOLOGY LIMITED and Tianjin Hongzhi Kangjian Management Consulting Partnership (LP) is interested under the SFO.
- As at 30 June 2022, Infinite Galaxy Health Limited was wholly owned by Ms. Guo Meiling. As such, Ms. Guo Meiling is deemed to be interested in which Infinite Galaxy Health Limited is interested under the SFO. On 11 August 2021, Dr. Yu Rong, Ms. Guo Meiling, Ms. Guo Meiling's son and Infinite Galaxy Health Limited, entered into a voting rights entrustment deed, pursuant to which Infinite Galaxy Health Limited, a Shareholder wholly owned by Ms. Guo Meiling, irrevocably entrusts Dr. Yu Rong to exercise all voting rights associated with the Shares on behalf of Infinite Galaxy Health Limited. As such, Dr. Yu Rong is deemed to be interested in which Ms. Guo Meiling is interested under the SFO.

## Other Information

- (5) As at 30 June 2022, Tianjin Shiji Yuneng Enterprise Management Partnership (LP) was held as to (i) 99.90% by Beijing Hehe Hengye Technology Co., Ltd. (北京和合恒業科技有限公司), its limited partner; and (ii) 0.10% by Beijing Shiji Yuneng Technology Co., Ltd. (北京世紀宇能科技有限公司), its general partner. Beijing Hehe Hengye Technology Co., Ltd. was a limited liability company held as to approximately 99.87% by Beijing Shiji Yuneng Technology Co., Ltd., which was held as to 99.90% by Niu Zhencai (牛振才) and 0.10% by Qiu Xiaobing (邱效冰), both of whom are Independent Third Parties. As such, each of Beijing Hehe Hengye Technology Co., Ltd., Beijing Shiji Yuneng Technology Co., Ltd. and Niu Zhencai is deemed to be interested in the total number of Shares held by Tianjin Shiji Yuneng Enterprise Management Partnership (LP).
- (6) As at 30 June 2022, the number of issued shares of the Company was 239,233,800 shares.

Save as disclosed above, as at 30 June 2022, our Directors are not aware of any person or corporation who has an interest or short position in the Shares or underlying Shares of our Company which would be recorded in the register of our Company required to be kept under Section 336 of the SFO.

## 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 during the period from the Listing Date to the date of this report.

## Use of Proceeds from the Global Offering

The Company was listed on the Main Board on 22 June 2022. The new shares were issued at HK\$18 per share and a total of 11,961,800 ordinary Shares are offered with a total nominal value of HK\$215.3 million. The net proceeds raised during the Global Offering, net of underwriting commissions and other expenses paid and payable by the Company in connection with the Global Offering, amounted to approximately HK\$153.4 million. Since the listing date and up to 30 June 2022, there has been no change in the intended use of the net proceeds previously disclosed in the Prospectus.

The table below sets forth the use of net proceeds from the Global Offering:

Intended use of proceeds	Percentage of intended use of proceeds (%)	Intended use of net proceeds from the Global Offering in HK\$ million	Actual amount used as at 30 June 2022 in HK\$ million	Unutilized net proceeds as at 30 June 2022 in HK\$ million	Schedule of unutilized balances
Sales and Marketing	30	46.0	0.0	46.0	By 30 June 2025
Research and Development	25	38.4	0.0	38.4	By 30 June 2025
Testing Capability and Capacity	20	30.7	0.0	30.7	By 30 June 2025
Investment and Acquisitions	15	23.0	0.0	23.0	By 30 June 2025
Working Capital and Other Purposes	10	15.3	0.0	15.3	By 30 June 2025
<b>Total</b>	<b>100</b>	<b>153.4</b>	<b>0.0</b>	<b>153.4</b>	

### 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 CG Code contained in Appendix 14 to the Listing Rules as its own code of corporate governance. The Board is of the view that, from the Listing Date to the date of this report, 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 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 this report.

### Audit Committee and Review of Financial Information

The Board has established 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 report, 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 this interim report and the Group's unaudited interim condensed consolidated financial information for the six months ended 30 June 2022, including the accounting principles and practices adopted by the Group. Based on such review, the Audit Committee considered that the unaudited interim report were prepared in accordance with HKAS 34, and the Company has made appropriate disclosures thereof.

# Unaudited Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022

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

# Unaudited Interim Condensed Consolidated Statement of Financial Position

30 June 2022

		30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
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
		<hr/>	<hr/>
Total non-current assets		87,937	86,821
<b>CURRENT ASSETS</b>			
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
		<hr/>	<hr/>
Total current assets		659,434	685,362
<b>CURRENT LIABILITIES</b>			
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
		<hr/>	<hr/>
Total current liabilities		89,210	69,791
<b>NET CURRENT ASSETS</b>			
		<hr/>	<hr/>
		570,224	615,571
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<hr/>	<hr/>
		658,161	702,392

# Unaudited Interim Condensed Consolidated Statement of Financial Position

30 June 2022

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

# Unaudited Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Attributable to owners of the parent						
	Share capital	Share premium*	Capital reserve*	Share award reserve*	Statutory surplus reserve*	Retained profits*	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022 (audited)	129	228,688	346,436	–	6,375	112,868	694,496
Profit and total comprehensive income for the period	–	–	–	–	–	17,800	17,800
Issue of shares for the restricted share unit scheme	18	–	–	(18)	–	–	–
Issue of shares for the initial public offering	8	184,147	–	–	–	–	184,155
Share issue expenses	–	(18,324)	–	–	–	–	(18,324)
Capital reduction of a subsidiary	–	–	(229,640)	–	–	–	(229,640)
<b>At 30 June 2022 (unaudited)</b>	<b>155</b>	<b>394,511</b>	<b>116,796</b>	<b>(18)</b>	<b>6,375</b>	<b>130,668</b>	<b>648,487</b>

\* These reserve accounts comprise the consolidated reserves of RMB648,332,000 in the interim condensed consolidated statement of financial position as at 30 June 2022.

For the six months ended 30 June 2021

	Attributable to owners of the parent						
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Retained profits	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2021 (audited)	–	–	136,167	4,127	36,101	176,395	
Profit and total comprehensive income for the period	–	–	–	–	35,314	35,314	
Issue of shares	129	228,688	–	–	–	228,817	
Termination of redemption rights on ordinary shares	–	–	210,269	–	–	210,269	
<b>At 30 June 2021 (unaudited)</b>	<b>129</b>	<b>228,688</b>	<b>346,436</b>	<b>4,127</b>	<b>71,415</b>	<b>650,795</b>	

# Unaudited Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 (Unaudited) RMB\$'000	2021 (Unaudited) RMB\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		20,781	42,494
Adjustments for:			
Finance costs		406	459
Bank interest income	4	(793)	(135)
Interest on redemption liabilities on ordinary shares		–	6,125
Depreciation of property, plant and equipment	5	4,286	4,179
Depreciation of right-of-use assets	5	3,395	2,706
Covid-19-related rent concessions from lessors		(159)	–
Amortisation of intangible assets	5	75	46
Impairment losses on trade receivables, net	5	203	982
Recognition of deferred income		(300)	(300)
Foreign exchange differences, net		(272)	–
Investment income from financial assets at fair value through profit or loss	4	(896)	(1,258)
Changes in fair value of financial assets at fair value through profit or loss	4	–	(400)
		<b>26,726</b>	54,898
Increase in trade receivables		(53,163)	(52,946)
Decrease/(increase) in prepayments, other receivables and other assets		2,108	(4,303)
Decrease in inventories		(888)	(270)
Increase/(decrease) in trade payables		2,328	(879)
Increase in other payables and accruals		2,735	1,198
		<b>(20,154)</b>	(2,302)
Cash generated from operations		(20,154)	(2,302)
Income tax paid		(7,959)	(4,966)
Interest received		793	135
		<b>(27,320)</b>	(7,133)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(821)	(1,370)
Purchases of intangible assets		(137)	–
Purchases of financial assets at fair value through profit or loss		(358,320)	(338,000)
Proceeds from disposal of financial assets at fair value through profit or loss		359,216	339,258
		<b>(62)</b>	(112)
Net cash flows used in investing activities		(62)	(112)

## Unaudited Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 (Unaudited) RMB\$'000	2021 (Unaudited) RMB\$'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	184,155	228,817
Share issue expenses	(18,324)	–
Repayments of other borrowings	–	(2,654)
Principal portion of lease payments	(1,843)	(2,483)
Interest paid	(406)	(459)
Advance payments for capital reduction	–	(184,140)
Net cash flows from financing activities	163,582	39,081
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	136,200	31,836
Cash and cash equivalents at beginning of period	239,096	208,450
Effect of foreign exchange rate changes, net	272	–
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	375,568	240,286
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	375,568	240,286
Cash and cash equivalents as stated in the interim condensed consolidated statements of cash flows	375,568	240,286

# Notes to the Unaudited 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.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (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.

# Notes to the Unaudited Interim Condensed Consolidated Financial Information

30 June 2022

## 4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

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

#### *Geographical markets*

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

#### 4. REVENUE, OTHER INCOME AND GAINS (continued)

##### Revenue from contracts with customers (continued)

##### (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 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
<b>Other income</b>		
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
	<b>3,820</b>	<b>7,641</b>

# Notes to the Unaudited Interim Condensed Consolidated Financial Information

30 June 2022

## 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	<b>(4,286)</b>	(8,355)
Carrying amount at end of the period/year	<b>39,398</b>	41,245

## 10. TRADE RECEIVABLES

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

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.

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

30 June 2022

### 10. TRADE RECEIVABLES (continued)

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
	<b>256,590</b>	<b>203,630</b>

### 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
	<b>23,104</b>	<b>239,352</b>

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	<b>15,593</b>	18,822
3 to 6 months	<b>5,662</b>	5,871
6 to 12 months	<b>9,037</b>	3,352
1 to 2 years	<b>857</b>	506
Over 12 months	<b>376</b>	646
	<b>31,525</b>	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.

# Notes to the Unaudited Interim Condensed Consolidated Financial Information

30 June 2022

## 13. SHARE CAPITAL

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

As at the end of the reporting period, the Group did not have significant commitments.

## 15. 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 reporting period:

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

# Notes to the Unaudited Interim Condensed Consolidated Financial Information

30 June 2022

## 15. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
<b>Trade receivables</b>		
Meinian OneHealth and its subsidiaries	97,754	81,390
Companies controlled by Dr. Yu Rong	32,600	17,582
	<u>130,354</u>	<u>98,972</u>
<b>Other receivables</b>		
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.	–	30,000
	<u>1,368</u>	<u>222,255</u>
<b>Trade payable</b>		
Meinian OneHealth and its subsidiaries	648	–
Companies controlled by Dr. Yu Rong	273	122
	<u>921</u>	<u>122</u>
<b>Contract liabilities</b>		
Meinian OneHealth and its subsidiaries	2,008	5,396
<b>Lease liabilities</b>		
Companies controlled by Dr. Yu Rong	16,461	11,569

**15. RELATED PARTY TRANSACTIONS (continued)**

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

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

**16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, current portion of lease liabilities, other borrowings and redemption liabilities on ordinary shares, approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of the non-current financial liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for lease liabilities and other borrowings as at the end of each of the reporting period were assessed to be insignificant.

The fair value of the unlisted equity investment at fair value through profit or loss has been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires management to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, which is price to book value ("P/B") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by a book value measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to measure the fair value of the unlisted equity investment. Management believes that the estimated fair values resulting from the valuation technique, which were recorded in the consolidated statement of financial position, and the related changes in fair values, which were recorded in profit or loss, are reasonable, and that they were the most appropriate value at the end of each of the reporting period.

The Group invests in certain financial products issued by commercial banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using the valuation technique based on the sum of principal and interest receivable.

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

30 June 2022

### 16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2021 and 30 June 2022:

#### As at 31 December 2021

	Valuation technique	Significant unobservable inputs	Rate	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss	Market-based valuation	Discount for lack of marketability	37.17%	5% increase/ decrease in discount would result in decrease/increase in fair value by 3%

#### As at 30 June 2022

	Valuation technique	Significant unobservable inputs	Rate	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss	Market-based valuation	Discount for lack of marketability	37.17%	5% increase/ decrease in discount would result in decrease/ increase in fair value by 3%

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

## 16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

#### Assets measured at fair value

##### As at 31 December 2021

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
Financial assets at fair value through profit or loss	–	–	30,200	30,200

##### As at 30 June 2022

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Financial assets at fair value through profit or loss	–	–	30,200	30,200

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

30 June 2022

### 16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

#### Fair value hierarchy (continued)

The movements in fair value measurements within Level 3 during the period/year are as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Financial assets at fair value through profit or loss		
At beginning of period/year	<b>30,200</b>	30,142
Total gains recognised in the statement of profit or loss included in other income	<u>–</u>	<u>58</u>
At end of period/year	<b><u>30,200</u></b>	<b><u>30,200</u></b>

The Group did not have any financial liabilities measured at fair value as at 30 June 2022 and 31 December 2021.

During the periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (six months ended 30 June 2021: Nil).

### 17. EVENTS AFTER THE REPORTING PERIOD

There were no significant events that require additional disclosure or adjustments occurred after the end of the reporting period.