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Mega Genomics Limited
美因基因有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6667)

**ANNUAL RESULTS ANNOUNCEMENT FOR
THE YEAR ENDED 31 DECEMBER 2023**

The board (the “**Board**”) of directors (the “**Director(s)**”) of Mega Genomics Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023 (the “**Reporting Period**”).

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

HIGHLIGHTS

Key Financial Data

The table below sets forth our key financial data for the Reporting Period, together with the comparative figures for the same period in 2022 and the change (expressed in percentages or percentage points).

	For the year ended 31 December		
	2023	2022	Year-on-year change
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	151,300	145,727	3.8%
Consumer genetic testing services	108,381	80,557	34.5%
Cancer screening services	42,919	65,170	(34.1%)
Gross profit	88,296	81,723	8.0%
Gross profit margin	58.4%	56.1%	2.3 percentage points
Net profit/(loss)	30,038	(17,618)	N/A
Net profit/(loss) margin	19.9%	(12.1%)	N/A

* For identification purpose only

Key Operating Data

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

	For the year ended 31 December			
	2023		2022	
	Average price (RMB) (in thousand)	Testing volume (in thousand)	Average price (RMB) (in thousand)	Testing volume (in thousand)
Consumer genetic testing services				
General consumer genetic testing services	36.4	2,973	48.0	1,340
COVID-19 testing services	11.3	4	5.6	2,896
Cancer screening services	267.6	160	274.0	238
Total	48.2	3,137	32.6	4,474

BUSINESS REVIEW AND OUTLOOK

Business Review

Overview

As a leading genetic testing platform company in China, we focus on consumer genetic testing and cancer screening services. Since our establishment in 2016 and up to 31 December 2023, we had performed a total of over 19 million genetic tests.

According to Frost & Sullivan, we were the largest consumer genetic testing platform in China in terms of the cumulative number of tests administered as of 31 December 2021, and 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, capitalized terms used herein shall have the same meanings as those defined in the prospectus of the Company dated 10 June 2022.

Our Products

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

As of 31 December 2023, we had 97 multi-dimensional commercialized testing solutions for consumer genetic testing and cancer screening that cover a wide range of prices, 86 of which were comprised of our self-developed services. Our current selective testing services that are more well-received by the market include:

GENERAL testing services

- Brain Health Assessment Package – a service that assesses the risk of developing various related diseases, including Alzheimer’s disease.
- Alimentation Capability Assessment Package – 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.
- Telomere Length Genetic Testing – a service that provides preliminary assessment of cell age and aging rate of a person.

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 which, 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.). It is expected to obtain the registration certificate in the second half of 2024.

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. Currently, it has completed clinical trial and has been submitted to the NMPA for registration acceptance. It is expected to obtain the registration certificate in the second half of 2024.

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 multiple 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 the multiplex RT-qPCR and NGS technologies. The NGS kits are expected to include dozens to hundreds of biomarkers and provided as Laboratory Developed Tests (“LDTs”).

The RT-qPCR kits are expected to include two to three biomarkers, and we expect to obtain the registration certificate by 2025.

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 31 December 2023, we have preliminarily finished biomarker candidate selection, and we are conducting multi-center clinical validation with three hospitals in different regions of China and using no less than 1,500 samples to determine the suitability of the selected biomarkers. We have tested thousands of samples, and with the biometric analysis and machine learning algorithm, we have screened markers with favorable sensitivity and specificity.

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

The NGS kits include more than one hundred biomarkers, and are provided as LDTs with both sensitivity and specificity higher than 90%.

The qPCR kits include three biomarkers, and we expect to obtain the registration certificate by 2025.

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 31 December 2023, we have preliminarily finished biomarker candidate selection, and we are conducting multi-center clinical validation with three hospitals in different regions of China and using no less than 1,500 samples to determine the suitability of the selected biomarkers. We have tested thousands of samples, and with the biometric analysis and machine learning algorithm, we have screened markers with favorable sensitivity and specificity.

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

The NGS kits include more than one hundred biomarkers and are provided as LDTs with both sensitivity and specificity higher than 90%.

The qPCR kits include three biomarkers, and we expect to obtain the registration certificate by 2025.

BRCA1/BRCA2 gene mutation testing kits

We have completed the reagent formulation for our self-developed BRCA1/BRCA2 gene mutation testing kits. With the multiplex PCR library preparation sequencing technology, we have achieved a lower cost and initially established a database containing tens of thousands of mutation loci.

Our lung nodule (benign or malignant) auxiliary diagnostic kits and cervical cancer screening 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 31 December 2023, we have obtained the product registration certificates for our fecal occult blood testing kits and transferrin testing kits approved by the Shanghai Medical Products Administration and have achieved mass production.

We have also developed cfDNA extraction and sulfide kits and oral swab samples, for which, we have obtained the filing certificates and achieved mass production as of 31 December 2023.

Research and Development (“R&D”)

Our strong R&D capabilities is vital to our business.

Since our founding in 2016, our R&D 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 R&D strategy. Our R&D team contributes to the development of our growth strategy by tracking industry developments, market demand and competition, and by identifying services and products with significant market potential for commercialization. For the year ended 31 December 2023, our R&D expenses increased by 15% as compared to the same period in 2022.

Intellectual property and qualification

As of 31 December 2023, three invention patents, one utility model patent and two design patents had been granted to us. In addition, we registered 50 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, Beijing “Specialization, Expertise, Distinction, Innovation” small and medium-sized enterprise, and Beijing Natural Science Foundation Trust Unit.

In-house R&D team

We have a strong in-house R&D team, which has extensive experience in the genetic testing industry. Approximately 65% of our R&D 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 R&D through collaboration with top physicians and medical experts in China.

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

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

In addition, we expect the authority and reputation of these medical 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.

We have 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 31 December 2023, 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 have established a quality management system that satisfies IVD registration standards and received 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 a 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.

Beijing Tigermed-Jyton Medical Tech. Co., Ltd. (泰格捷通(北京)醫藥科技有限公司) (“**Tigermed-Jyton**”)

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

Testing Technology Platforms

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

Our R&D team has innovated constantly and developed a number of new risk assessment genetic tests covering various specialty areas, including alimentation, brain health, Parkinson’s disease, ankylosing spondylitis, comprehensive assessment of immunity, cancer risk assessment, cardiovascular and cerebrovascular diseases, digestive system diseases, telomere and pharmacogenetic testing.

Our R&D efforts focus on the registration of IVD test kits. At present, our fecal occult blood testing kits and transferrin testing kits have obtained the NMPA registration certificates and achieved mass production, and our oral swab samples and cfDNA extraction and sulfide kits have obtained the NMPA filing certificates and achieved mass production. Our ApoE gene testing kits and folate metabolic capacity assessment testing kits are in the IVD registration and filing stage. The products under development include Alzheimer's screening kits, colorectal cancer screening kits, gastric cancer screening kits and BRCA1/BRCA2 gene mutation testing kits. Two other products are at the early development stage, including benign and malignant lung nodule auxiliary diagnosis kits and cervical cancer screening kits.

Production Capacity

In order to carry out our broad-spectrum testing process and to satisfy our consumers' needs, we have developed an advanced and integrated system of technology platforms, including endpoint fluorescent PCR platform, qPCR platform, NGS platform (multiplex PCR library preparation sequencing and exome/whole genome sequencing technologies) and whole genome microarray platform. Our tests are conducted in our independent testing laboratory. Our high-throughput testing platform, with an average daily throughput of 50,000 samples, offers the advantages of high throughput and automation, and the ability to deliver multi-scenario genetic testing solutions with cost efficiencies.

Production Facility

We have one laboratory located in Beijing, China, with a gross floor area of approximately 880 sq.m. Our laboratory has obtained the 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 and obtained the laboratory accreditation certificate from the China National Accreditation Service for Conformity Assessment in 2022.

Business

During the Reporting Period, the Company's operating revenue amounted to RMB151.3 million, representing a year-on-year increase of 3.8% or, if excluding the impact of COVID-19 testing services, 16.8%; and net profit amounted to RMB30.0 million as compared to loss of RMB17.6 million for the same period in 2022. In 2023, the Company turned loss into profit, with an increase in net profit of RMB47.6 million as compared to 2022, primarily due to the fact that the Company implemented a more aggressive marketing strategy, accelerated

the expansion of sales channels, enriched its product matrix and continuously optimized the product structure of genetic testing services, while also strengthened its cost control and collection of receivables, resulting in a significant increase in net profit of the Company during the Reporting Period.

During the Reporting Period, we covered over 1,800 healthcare institutions in more than 340 cities in China, and health checkup centers accounted for approximately 54% of our total number of institutional customers. 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 year ended 31 December		
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>	Year-on-year change
Revenue	151,300	145,727	3.8%
Consumer genetic testing services	108,381	80,557	34.5%
Cancer screening services	42,919	65,170	(34.1%)
Gross profit	88,296	81,723	8.0%
Gross profit margin	58.4%	56.1%	2.3 percentage points
Net profit/(loss)	30,038	(17,618)	N/A
Net profit/(loss) margin	19.9%	(12.1%)	N/A

Revenue

For the year ended 31 December 2023, our total revenue amounted to RMB151.3 million, representing an increase of RMB5.6 million, or 3.8% or, if excluding the impact of COVID-19 testing services, 16.8%, as compared to RMB145.7 million for the same period in 2022. The revenue generated from consumer genetic testing services and cancer screening services for the year ended 31 December 2023 amounted to RMB108.4 million and RMB42.9 million, respectively. The year-on-year increase in revenue was primarily attributable to the steady year-on-year revenue growth of the Company during the Reporting Period due to the fact that the Company implemented a more aggressive marketing strategy, accelerated the expansion of sales channels, enriched its product matrix and continuously optimized the product structure of genetic testing services.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2023, our consolidated gross profit amounted to RMB88.3 million, representing a year-on-year increase of 8.0%, of which RMB57.3 million and RMB31.0 million of gross profit were attributable to consumer genetic testing services and cancer screening services, respectively. The 64.4% year-on-year increase in gross profit from consumer genetic testing services was driven by the optimization of our product and service portfolio and our ability to effectively control costs.

For the year ended 31 December 2023, our consolidated gross profit margin was 58.4%. For the year ended 31 December 2023, the gross profit margin for our cancer screening services was 72.1%, representing a year-on-year increase of 0.2 percentage points, primarily attributable to our ability to effectively control costs. The gross profit margin for our consumer genetic testing services was 52.9%, which increased by 9.6 percentage points year-on-year, driven by the optimization of our product and service portfolio and our ability to effectively control costs.

Net Profit and Net Profit Margin

For the year ended 31 December 2023, we recorded a net profit of RMB30.0 million and a net profit margin of 19.9%, as compared to a net loss of RMB17.6 million and a net loss margin of 12.1% for the same period in 2022. In 2023, the Company turned net loss into net profit, with an increase of RMB47.6 million, primarily due to the fact that the Company implemented a more aggressive marketing strategy, accelerated the expansion of sales channels, enriched its product matrix and continuously optimized its product structure, while also strengthened its cost control and collection of receivables, resulting in a significant increase in net profit of the Company during the Reporting Period.

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 the 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 that it is critical to expedite the establishment of industry standards.

We will strengthen our partnerships with industry leaders to establish industry standards through cooperation with 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.

Meanwhile, in order to continuously consolidate our leading position in the consumer genetic testing market, we constantly upgrade and launch new products to meet the huge domestic consumer genetic market demand.

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. In particular, 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 R&D 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.

We will continue diversifying our cancer screening product lines, and have achieved mass production for our screening products of fecal occult blood. Lower-cost screening will expand the recipient base and increase awareness of intestinal cancer screening among our customers.

Expanding our R&D strength and enriching our product matrix

We will vigorously expand our R&D strength. In line with our R&D efforts, we plan to recruit more professionals to strengthen our internal R&D team and supplement our internal R&D 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 our operational efficiency and improve our profitability. In addition, our fecal occult blood intestinal cancer screening and transferrin screening products have been granted the Registration Certificate for Medical Device and have achieved mass production.

Making selective geographic expansion and acquisition opportunities

We plan to build a manufacturing laboratory to enhance geographic coverage, improve reporting cycles and reduce operating costs. We will optimize the production process, adopt a new production system for the new laboratory, and substantially shorten the product reporting time, to further improve customer experience.

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 R&D, manufacturing and channel systems.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth our consolidated statements of profit or loss for the periods indicated, together with the changes from the year ended 31 December 2022 to the same period in 2023, presented as a percentage:

	For the year ended 31 December		
	2023	2022	Year-on-year change
	<i>RMB'000</i>	<i>RMB'000</i>	%
Revenue	151,300	145,727	3.8%
Cost of sales	(63,004)	(64,004)	(1.6%)
Gross profit	88,296	81,723	8.0%
Other income and gains	13,414	19,221	(30.2%)
Selling and distribution expenses	(30,706)	(34,863)	(11.9%)
Administrative expenses	(44,503)	(42,929)	3.7%
Reversal of impairment/(impairment) of financial assets, net	11,579	(25,852)	N/A
Other expenses	(779)	(2,483)	(68.6%)
Listing expenses	–	(15,516)	(100.0%)
Finance costs	(1,122)	(719)	56.1%
Profit/(loss) before tax	36,179	(21,418)	N/A
Income tax (expenses)/credit	(6,141)	3,800	N/A
Profit/(loss) for the year	30,038	(17,618)	N/A

Revenue

We organize our principal business into two segments, namely consumer genetic testing services and cancer screening services.

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

	For the year ended 31 December			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Consumer genetic testing services	108,381	71.6%	80,557	55.3%
Cancer screening services	42,919	28.4%	65,170	44.7%
Total	<u>151,300</u>	<u>100.0%</u>	<u>145,727</u>	<u>100.0%</u>

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

	For the year ended 31 December			
	2023		2022	
	Average price	Testing volume	Average price	Testing volume
	<i>(RMB)</i>	<i>(in thousand)</i>	<i>(RMB)</i>	<i>(in thousand)</i>
Consumer genetic testing services				
General consumer genetic testing services	36.4	2,973	48.0	1,340
COVID-19 testing services	11.3	4	5.6	2,896
Cancer screening services	267.6	160	274.0	238
Total	<u>48.2</u>	<u>3,137</u>	<u>32.6</u>	<u>4,474</u>

- Consumer genetic testing services. For the year ended 31 December 2023, our revenue from consumer genetic testing services amounted to RMB108.4 million, representing a year-on-year increase of 34.5% or, if excluding the impact of COVID-19 testing services, 68.3%, which was attributable to the steady year-on-year revenue growth of the Company due to the fact that the Company implemented a more aggressive marketing strategy, accelerated the expansion of sales channels, enriched its product matrix and continuously optimized the product structure of genetic testing services.
- Cancer screening services. For the year ended 31 December 2023, our revenue from cancer screening services amounted to RMB42.9 million, representing a year-on-year decrease of 34.1%, which was attributable to the Company's adjustment of sales strategy, resulting in the decrease in our revenue from cancer screening services.

Cost of Sales

Our cost of sales consists primarily of raw material costs, testing service costs, staff costs, depreciation and amortization, and the cost of printing and delivering test reports. Others consist primarily of rent, clusters, property utilities, etc. The table below 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 year ended 31 December			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Raw materials	25,671	40.7%	32,616	51.0%
Testing services	9,421	15.0%	7,644	11.9%
Staff costs	11,169	17.7%	11,937	18.7%
Depreciation and amortization	11,077	17.6%	5,986	9.4%
Printing and delivery costs	2,664	4.2%	2,137	3.3%
Others	3,002	4.8%	3,684	5.7%
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Total	<u>63,004</u>	<u>100.0%</u>	<u>64,004</u>	<u>100.0%</u>

Our cost of sales decreased by 1.6% from RMB64.0 million for the year ended 31 December 2022 to RMB63.0 million for the same period in 2023. The decrease was primarily attributable to our effective costs control and optimization of product structure.

Gross Profit and Gross Profit Margin

For the years ended 31 December 2022 and 2023, our gross profit amounted to RMB81.7 million and RMB88.3 million, respectively. For the same period, our gross profit margin was 56.1% and 58.4%, respectively. The table below 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 year ended 31 December			
	2023		2022	
	Segmental gross profit <i>RMB'000</i>	%	Segmental gross profit <i>RMB'000</i>	%
Consumer genetic testing services	57,344	64.9%	34,875	42.7%
Cancer screening services	30,952	35.1%	46,848	57.3%
Total	<u>88,296</u>	<u>100.0%</u>	<u>81,723</u>	<u>100.0%</u>

	For the year ended 31 December	
	2023	2022
	Segmental gross profit margin	Segmental gross profit margin
Consumer genetic testing services	52.9%	43.3%
Cancer screening services	72.1%	71.9%
Total	<u>58.4%</u>	<u>56.1%</u>

- Our gross profit from consumer genetic testing services increased from RMB34.9 million for the year ended 31 December 2022 to RMB57.3 million for the same period in 2023, and our gross profit margin from such services increased from 43.3% for the year ended 31 December 2022 to 52.9% for the same period in 2023. The increase was primarily attributable to the increase in revenue from consumer genetic testing services and the change in the Company's product structure;
- Our gross profit from cancer screening services decreased from RMB46.8 million for the year ended 31 December 2022 to RMB31.0 million for the same period in 2023. The decrease was attributable to the decrease in revenue from cancer screening services as a result of the adjustment of sales strategy.

Other Income and Gains

Our other income and gains decreased from RMB19.2 million for the year ended 31 December 2022 to RMB13.4 million for the same period in 2023. The decrease was primarily attributable to the decrease in foreign exchange gains.

Selling and Distribution Expenses

Our selling and distribution expenses decreased from RMB34.9 million for the year ended 31 December 2022 to RMB30.7 million for the same period in 2023, primarily attributable to the fact that the Company continuously adjusted its sales strategy to adapt to its development needs, resulting in the reduction of labor costs after adjustments.

Administrative Expenses

Our administrative expenses increased from RMB42.9 million for the year ended 31 December 2022 to RMB44.5 million for the same period in 2023, primarily attributable to the increase in R&D expenses as a result of the increase in number of R&D personnel and the corresponding increase in R&D investments according to our R&D process.

Reversal of Impairment/(Impairment) of Financial Assets, Net

We had impairment losses on financial assets of RMB25.9 million for the year ended 31 December 2022, and reversal of impairment losses on financial assets of RMB11.6 million for the year ended 31 December 2023, primarily attributable to the Company's further increased efforts to collect accounts receivable, the good collection of receivables and the reversal of provision for trade receivables during the Reporting Period.

Other Expenses

Our other expenses decreased from RMB2.5 million for the year ended 31 December 2022 to RMB0.8 million for the same period in 2023. The decrease in other expenses was primarily attributable to the reduced equipment leasing business.

Finance Costs

Our finance costs increased from RMB0.7 million for the year ended 31 December 2022 to RMB1.1 million for the same period in 2023. The increase was primarily attributable to the re-recognition of right-of-use assets and lease liabilities recognized under the new lease standards upon maturity, the increase in unfulfilled lease liabilities and the increase in interest of bank borrowings.

Income Tax (Expenses)/Credit

During the Reporting Period, we recorded income tax expenses of RMB6.1 million. For the same period in 2022, as our operating results were at a loss, we recorded income tax credit of RMB3.8 million.

Profit/(Loss) for the Year

As a result of the above, we recorded a profit for the year of RMB30.0 million during the Reporting Period, and a loss for the year of RMB17.6 million for the same period in 2022.

Cash and Cash Equivalents

During the Reporting Period, our net cash generated from operating activities was RMB163.7 million, primarily attributable to the Company's further increased efforts to collect accounts receivable, coupled with good accounts receivable collection.

During the Reporting Period, our net cash outflow used in investing activities was RMB33.8 million, primarily attributable to the acquisition of fixed assets by the Company.

During the Reporting Period, our net cash outflow used in financing activities was RMB12.9 million, primarily attributable to the payment of capital reduction by a subsidiary of the Company and the repurchase of shares.

As a result of the above, our cash and cash equivalents, which were mainly held in RMB, increased by 29.6% from RMB399.8 million as of 31 December 2022 to RMB518.3 million as of 31 December 2023.

Indebtedness

As of 31 December 2022 and 31 December 2023, we had outstanding aggregate unpaid contractual lease payments (present value of lease payments for the remainder of relevant lease terms) of RMB11.0 million and RMB25.9 million respectively in relation to the corresponding current and non-current lease liabilities.

As of 31 December 2023, the Company had outstanding bank loans of RMB22.6 million (2022: nil). Among which, RMB1.9 million will mature within one year and RMB20.7 million will mature after one year.

Save as disclosed in this announcement, 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 31 December 2023.

Our Directors have also confirmed that, save for the above, as of 31 December 2023, there was no material change in the Company's indebtedness since 31 December 2022.

Key Financial Ratios

	For the year ended	
	31 December	
	2023	2022
Gross profit margin ⁽¹⁾	58.4%	56.1%
Net profit/(loss) margin ⁽²⁾	19.9%	(12.1%)
Current ratio ⁽³⁾	5.8	7.6

Notes:

- (1) Gross profit margin equals gross profit divided by revenue for the year.
- (2) Net profit/(loss) margin equals net profit/(loss) divided by revenue for the year.
- (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 property, plant and equipment and the establishment of an automatic laboratory. The table below sets forth our capital expenditures for the periods indicated.

	For the year ended	
	31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Purchases of property, plant and equipment	35,857	5,006
Purchases of other intangible assets	240	182
Total	<u>36,097</u>	<u>5,188</u>

Contingent Liabilities

As of 31 December 2023, we had no material contingent liabilities.

Significant Investments and Future Plans for Material Investments or Capital Assets

As of 31 December 2023, we did not hold any significant investment.

In addition, save for the expansion plans as disclosed in the two 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 year ended 31 December 2023, we did not make any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Pledge of Group Assets

As of 31 December 2023, we pledged certain property, plant and equipment in an amount of approximately RMB34.7 million (2022: nil) to secure bank loans.

Final Dividend

The Board has resolved not to declare a final dividend for the year ended 31 December 2023.

Annual General Meeting

The annual general meeting of the Company (the“**AGM**”) will be held on Friday, 28 June 2024. A notice convening the AGM will be published and/or despatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

Closure of Register of Members and Entitlement to Attend and Vote at the AGM

For the purpose of ascertaining the members’ eligibility to attend and vote at the AGM, the Company’s register of members will be closed from Tuesday, 25 June 2024 to Friday, 28 June 2024, both dates inclusive, during which period no transfer of share will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 24 June 2024.

Company Information

The Company was incorporated in the Cayman Islands on 22 April 2021 as an exempted company with limited liability, and the shares were listed on the Main Board of the Stock Exchange on 22 June 2022 (the “**Listing Date**”).

Employees

As of 31 December 2023, we had 229 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. Employees are also encouraged to attend external seminars and workshops to enrich their technical knowledge and develop competencies and skills. We also provide training and development programs as well as external training courses to our employees from time to time for the sake of enhancing their technical skills and ensuring that they understand and comply with our policies and procedures.

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

The Company adopted a restricted share unit scheme (the “**RSU Scheme**”) on 19 November 2021. On 29 December 2022, the Company granted a total of 27,272,000 RSUs to certain eligible participants of the Company under the RSU Scheme, the principal terms and details of which are set out in the section headed “Appendix IV – Statutory and General Information – D. Restricted Share Unit Scheme” of the Prospectus and the announcement of the Company dated 29 December 2022.

Material Events After the Reporting Period

As of the date of this announcement, there were no material events after 31 December 2023 that might have a material impact on our operations and financial results.

Use of Proceeds from the Global Offering

The Company was listed on the Main Board of the Stock Exchange on 22 June 2022. The new shares were issued at HK\$18 per share and a total of 11,961,800 ordinary Shares were 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 31 December 2023, 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	Actual amount used as at 31 December 2023	Unutilized net proceeds as at 31 December 2023	Schedule of unutilized balances
	<i>%</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	
Sales and Marketing	30	46.0	9.0	37.0	By 30 June 2025
Research and Development	25	38.4	23.7	14.7	By 30 June 2025
Testing Capability and Capacity	20	30.7	19.5	11.2	By 30 June 2025
Investment and Acquisitions	15	23.0	–	23.0	By 30 June 2025
Working Capital and Other Purposes	10	15.3	–	15.3	By 30 June 2025
Total	100	153.4	52.2	101.2	

Note:

(1) The figures in the table are approximate figures.

To the extent that the net proceeds from the Global Offering are not immediately applied for the above purposes and to the extent permitted by the relevant law and regulations, we intend to deposit the net proceeds only into short-term deposits with licensed financial institutions in Hong Kong or the PRC. We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
REVENUE	4	151,300	145,727
Cost of sales		<u>(63,004)</u>	<u>(64,004)</u>
Gross profit		88,296	81,723
Other income and gains	4	13,414	19,221
Selling and distribution expenses		(30,706)	(34,863)
Administrative expenses		(44,503)	(42,929)
Reversal of impairment/(impairment) of financial assets, net		11,579	(25,852)
Other expenses		(779)	(2,483)
Listing expenses		–	(15,516)
Finance costs		<u>(1,122)</u>	<u>(719)</u>
PROFIT/(LOSS) BEFORE TAX	5	36,179	(21,418)
Income tax (expense)/credit	6	<u>(6,141)</u>	<u>3,800</u>
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>30,038</u>	<u>(17,618)</u>
Attributable to:			
Owners of the parent		<u>30,038</u>	<u>(17,618)</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	8	<u>RMB0.14</u>	<u>RMB(0.09)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

		2023	2022
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		67,399	36,922
Advance payments for property, plant and equipment		–	2,876
Right-of-use assets		26,650	9,990
Intangible assets		919	834
Financial assets at fair value through profit or loss		29,600	30,030
Deferred tax assets		4,196	5,967
		<hr/>	<hr/>
Total non-current assets		128,764	86,619
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		4,409	3,508
Trade receivables	9	115,877	184,823
Prepayments, other receivables and other assets		29,203	30,918
Cash and cash equivalents		518,289	399,831
		<hr/>	<hr/>
Total current assets		667,778	619,080
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables	10	39,541	34,757
Other payables and accruals		61,065	39,286
Interest-bearing bank and other borrowings	11	1,912	–
Lease liabilities		10,616	6,480
Tax payable		597	123
Deferred income		600	600
		<hr/>	<hr/>
Total current liabilities		114,331	81,246
		<hr/>	<hr/>
NET CURRENT ASSETS		553,447	537,834
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		682,211	624,453
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*31 December 2023*

		2023	2022
	<i>Note</i>	RMB'000	<i>RMB'000</i>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	<i>11</i>	20,723	–
Lease liabilities		15,311	4,506
Deferred income		1,350	1,950
		<hr/>	<hr/>
Total non-current liabilities		37,384	6,456
		<hr/>	<hr/>
Net assets		644,827	617,997
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital		154	155
Treasury shares		(1,567)	–
Reserves		646,240	617,842
		<hr/>	<hr/>
Total equity		644,827	617,997
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered address of the Company is Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 22 June 2022.

The Company is an investment holding company. During the year, the Company's subsidiaries were principally engaged in the provision of a broad spectrum of genetic testing services.

In the opinion of the directors, the Company does not have an immediate holding company or ultimate holding company. Dr. Yu Rong, Ms. Guo Meiling and Meinian OneHealth Healthcare Holdings Co., Ltd. together with their respective holding companies, namely, Yurong Technology Limited, Tianjin Hongzhi Kangjian Management Consulting Partnership (LP), Infinite Galaxy Health Limited and Mei Nian Investment Limited are regarded as a group of the controlling shareholders of the Company as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirement of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial information of the subsidiaries is prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

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.

Geographical information

During the year, the Group operated within one geographical segment because all of the Group's revenue was generated from customers located in Chinese Mainland. All of the non-current assets of the Group were located in Chinese Mainland.

Information about a major customer

Revenue from a major customer which accounted for 10% or more of the Group's revenue during the year is set out below:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	<u>87,805</u>	<u>82,057</u>

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue from contracts with customers	<u>151,300</u>	<u>145,727</u>

Revenue from contracts with customers

(a) *Disaggregated revenue information*

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Types of goods or services		
Consumer genetic testing services	108,381	80,557
Cancer screening testing services	<u>42,919</u>	<u>65,170</u>
Total	<u>151,300</u>	<u>145,727</u>

Timing of revenue recognition

Goods or services transferred at a point in time	<u>151,300</u>	<u>145,727</u>
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Geographical markets

All of the Group's revenues were generated from customers located in Chinese Mainland during the year.

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the year:		
Genetic testing services	<u>9,858</u>	<u>10,102</u>

(b) *Performance obligations*

Information about the Group's performance obligations 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. The performance obligation of sale of relevant medical materials 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:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Rental income	142	2,549
Bank interest income	722	1,386
Government grants*	5,439	869
Investment income from financial assets at fair value through profit or loss	5,343	2,626
Foreign exchange differences, net	1,439	11,749
Others	329	42
Total other income and gains	<u>13,414</u>	<u>19,221</u>

* The government grants mainly represent subsidies from the local government to support the Group's operation and to compensate the Group for its purchase of laboratory equipment. During the year, government grants amounting to RMB600,000 (2022: RMB600,000) were recognised from deferred income.

5. PROFIT/(LOSS) BEFORE TAX

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Cost of services provided	63,004	64,004
Depreciation of property, plant and equipment	8,256	8,328
Depreciation of right-of-use assets	6,709	6,791
Amortisation of intangible assets*	155	159
Research and development costs**	22,376	19,437
Lease payments not included in the measurement of lease liabilities	1,182	1,256
Covid-19-related rent concessions from lessors	–	(159)
Listing expenses	–	15,516
Auditor's remuneration	1,200	1,500
Bank interest income	(722)	(1,386)
Government grants	(5,439)	(869)
Investment income from financial assets at fair value through profit or loss	(5,343)	(2,626)
Changes in fair value of financial assets at fair value through profit or loss	430	170
(Reversal of impairment)/impairment of trade receivables, net	(13,975)	25,852
Impairment of other receivables, net	2,396	–
Foreign exchange differences, net	(1,439)	(11,749)
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	43,119	47,802
Share-based payment expense	2,161	1,467
Pension scheme contributions***	4,437	5,562
Staff welfare expenses	1,449	897
Total	<u>51,166</u>	<u>55,728</u>

* The amortisation of intangible assets is included in "Administrative expenses" and "Cost of sales" in the consolidated statements of profit or loss and other comprehensive income.

** Research and development costs are included in "Administrative expenses" in the consolidated statements of profit or loss and other comprehensive income.

*** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

6. INCOME TAX

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% (2022: 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 year (2022: Nil).

The provision for current income tax in Chinese Mainland is based on a statutory tax rate of 25% (2022: 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) Co., Ltd. (“**Mega Genomics Beijing**”), a subsidiary of the Group. Mega Genomics Beijing is qualified as a High and New Technology Enterprise and was subject to tax at a preferential income tax rate of 15% (2022: 15%).

The income tax (credit)/expense of the Group is analysed as follows:

	2023	2022
	RMB'000	RMB'000
Current – Chinese Mainland		
Charge for the year	4,370	250
Overprovision in prior years	–	(888)
Deferred tax	1,771	(3,162)
	<u> </u>	<u> </u>
Total tax charge/(credit) for the year	6,141	(3,800)
	<u> </u>	<u> </u>

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory tax rate in Chinese Mainland to the tax expense/(credit) at the effective tax rate is as follows:

	2023	2022
	RMB'000	RMB'000
Profit/(loss) before tax	36,179	(21,418)
	<u> </u>	<u> </u>
Tax at the statutory tax rate	9,096	(5,355)
Preferential tax rates enacted by local authority	(4,644)	1,381
Additional deductible allowance for research and development expenses	1,939	(1,624)
Expenses not deductible for tax	1,114	902
Tax losses not recognised	2,514	1,784
Adjustments in respect of current tax of previous periods	–	(888)
	<u> </u>	<u> </u>
Tax charge/(credit) at the Group's effective tax rate	6,141	(3,800)
	<u> </u>	<u> </u>

7. DIVIDENDS

The board of directors did not recommend the payment of any final dividend for the year (2022: Nil).

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 211,766,697 (2022: 206,292,235) in issue during the year. The number of shares for the current period has been arrived at after eliminating the shares held under the RSU scheme.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2023 and 2022 in respect of a dilution as the impact of the RSU scheme had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

9. TRADE RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables	140,361	223,282
Impairment	(24,484)	(38,459)
Net carrying amount	<u>115,877</u>	<u>184,823</u>

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

Included in the Group's trade receivables are amounts due from related parties of RMB101,480,000 (2022: RMB162,266,000), 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 period, based on the invoice dates and net of loss allowance, is as follows:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	52,866	48,703
3 to 6 months	10,042	24,383
6 to 12 months	28,512	29,273
1 to 2 years	15,020	79,608
Over 2 years	9,437	2,856
	<hr/>	<hr/>
Total	115,877	184,823
	<hr/> <hr/>	<hr/> <hr/>

10. TRADE PAYABLES

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	13,322	12,592
3 to 6 months	5,241	8,406
6 to 12 months	10,580	9,847
1 to 2 years	9,640	3,216
Over 2 years	758	696
	<hr/>	<hr/>
Total	39,541	34,757
	<hr/> <hr/>	<hr/> <hr/>

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

Included in the Group's trade payables are amounts due to related parties of RMB735,000 (2022: RMB195,000) with credit terms similar to those offered by the related parties to their customers.

11. INTEREST-BEARING BANK AND OTHER BORROWINGS

31 December 2023

	Effective interest rate (%)	Maturity	RMB'000
Current			
Current portion of long-term bank loan – secured	5-year LPR+0.1	2024	<u>1,912</u>
Non-current			
Bank loan – secured	5-year LPR+0.1	2025 – 2033	<u>20,723</u>
Total			<u><u>22,635</u></u>
Analysed into:			
Bank loan repayable:			
Within one year			1,912
In the second year			1,995
In the third to fifth years, inclusive			6,524
Beyond five years			<u>12,204</u>
Total			<u><u>22,635</u></u>

The Group's bank loan is secured by mortgages over the Group's property, plant and equipment, which had a net carrying value at the end of the reporting period of approximately RMB34,744,000. In addition, the property seller has guaranteed the Group's bank loan.

12. 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. and its subsidiaries (“Meinian Onehealth”)	Shareholder
Suzhou Ruihua Investment Partnership (LP)	Shareholder

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

	2023	2022
	RMB'000	RMB'000
Services provided to: <i>(note i)</i>		
Meinian Onehealth	87,805	82,057
Companies controlled by Dr. Yu Rong	21,159	9,982
	<hr/>	<hr/>
Total	108,964	92,039
	<hr/> <hr/>	<hr/> <hr/>
	2023	2022
	RMB'000	RMB'000
Services provided by: <i>(note i)</i>		
Meinian Onehealth	580	1,344
Companies controlled by Dr. Yu Rong	12	68
	<hr/>	<hr/>
Total	592	1,412
	<hr/> <hr/>	<hr/> <hr/>
Property management services provided by: <i>(note ii)</i>		
Companies controlled by Dr. Yu Rong	1,320	1,996
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (i) The service fees were on normal commercial terms as determined based on arm's length negotiation between the parties with reference to (1) the production cost and gross profit requirements of the Group; (2) the government's prescribed price and the prevailing service fee of a similar service provider in the market; and (3) the sales to the buyer's end customers.
- (ii) The property management service fee was charged with reference to prices mutually agreed between the parties.

(b) Outstanding balances with related parties:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables		
Meinian Onehealth	60,188	95,395
Companies controlled by Dr. Yu Rong	<u>41,292</u>	<u>66,871</u>
Total	<u><u>101,480</u></u>	<u><u>162,266</u></u>
Other receivables		
Companies controlled by Dr. Yu Rong	<u>5,614</u>	<u>7,699</u>
Total	<u><u>5,614</u></u>	<u><u>7,699</u></u>
Prepayments		
Meinian Onehealth	<u>848</u>	<u>1,056</u>
Trade payables		
Meinian Onehealth	489	–
Companies controlled by Dr. Yu Rong	<u>246</u>	<u>195</u>
Total	<u><u>735</u></u>	<u><u>195</u></u>
Contract liabilities		
Meinian Onehealth	44,384	3,189
Companies controlled by Dr. Yu Rong	<u>1,324</u>	<u>–</u>
Total	<u><u>45,708</u></u>	<u><u>3,189</u></u>
Lease liabilities		
Companies controlled by Dr. Yu Rong	<u>25,927</u>	<u>10,986</u>
Other payable		
Suzhou Ruihua Investment Partnership (LP)	<u>–</u>	<u>15,500</u>

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, allowances and benefits in kind	2,352	2,542
Pension scheme contributions	770	854
Share-based payment expense	316	215
	<hr/>	<hr/>
Total compensation paid to key management personnel	3,438	3,611
	<hr/> <hr/>	<hr/> <hr/>

The related party transactions in respect of the genetic testing services provided to Meinian Onehealth and companies controlled by Dr. Yu Rong above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

ADDITIONAL INFORMATION

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

For the year ended 31 December 2023, the Company has repurchased a total of 1,464,800 shares of the Company for a total consideration of HK\$11,452,449.2.

Details of the repurchase are set out below:

Month	Total number of shares repurchased	Price per share		Total consideration HK\$
		Highest HK\$	Lowest HK\$	
10/2023	449,200	7.88	7.75	3,520,045.2
11/2023	795,400	8.13	7.70	6,211,435.4
12/2023	<u>220,200</u>	7.80	7.80	<u>1,720,968.6</u>
Total	<u><u>1,464,800</u></u>			<u><u>11,452,449.2</u></u>

As of 31 December 2023, the Company has cancelled 1,244,600 shares among the shares repurchased above, and the remaining 220,200 shares repurchased have also been cancelled on 20 March 2024.

The repurchase is to increase the net asset value per share and earnings per share and has been carried out in accordance with the repurchase mandate granted to the Board at the 2023 annual general meeting of the Company.

Save as disclosed above, the Company or its subsidiaries did not purchase, sell or redeem any of the Company's listed securities for the year ended 31 December 2023.

Compliance with the Corporate Governance Code

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

The Company has adopted the Corporate Governance Code (the “**CG Code**”) contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code of corporate governance. The Board is of the view that, through the year ended 31 December 2023 and up to the date of this announcement, the Company has complied with the code provisions as set out in the CG Code.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as the Group's code of conduct regarding the Directors' securities transactions. Having made specific enquiry of all the Directors, all the Directors confirmed that they have strictly complied with the Model Code through the year ended 31 December 2023 and up to the date of this announcement.

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 announcement, the Audit Committee consists of three members, namely Mr. Jia Qingfeng, Ms. Guo Meiling and Dr. Zhang Ying. Mr. Jia Qingfeng, being the chairman of the Audit Committee, holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee include, without limitation, assisting the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group and overseeing the audit process.

The Audit Committee has reviewed the Group's annual financial statements for the year ended 31 December 2023. The Audit Committee has also reviewed the accounting principles adopted by the Group and discussed auditing, internal control, risk management and financial reporting matters.

Scope of Work for Annual Results Announcement by Auditor

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2023, but represents an extract from the consolidated financial statements for the year ended 31 December 2023 which have been audited by the auditor of the Company, Ernst & Young, in accordance with the Hong Kong Standards on Auditing issued by the HKICPA.

Publication of Annual Results Announcement and Annual Report

This annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.megagenomics.cn). The annual report of the Company for the year ended 31 December 2023 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and/or made available on the same websites in due course.

By order of the Board

Mega Genomics Limited

Lin Lin

Executive Director and Chairperson

Hong Kong, 26 March 2024

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